

COMMITTEE ON THE PREPARATION FOR GOVERNMENT

First Report on the Economic Challenges Facing Northern Ireland

VOLUME 1

TOGETHER WITH THE MINUTES OF PROCEEDINGS RELATING TO THE REPORT
AND CORRESPONDENCE ON PROCEDURAL MATTERS

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Committee on the Preparation for Government

Under the terms of the Northern Ireland Act 2006 the Secretary of State for Northern Ireland, the Rt Hon Peter Hain MP, directed on 26 May 2006 that a Committee should be established on the necessary business relating to the preparation for Government. On 12 June 2006, the Secretary of State directed that the Committee should be chaired by the deputy presiding officers, Mr Jim Wells and Mr Francie Molloy.

Membership

The Committee has 14 members with a quorum of seven. The membership of the Committee since its establishment on 26 May 2006 is as follows:

Mark Durkan MP
Dr Sean Farren
David Ford
Michelle Gildernew MP
Danny Kennedy
Naomi Long
Dr William McCrea MP
Dr Alasdair McDonnell MP
Alan McFarland
Martin McGuinness MP
*David McNarry
Maurice Morrow
Conor Murphy MP
Ian Paisley Jnr

* Mr McNarry replaced Mr Michael McGimpsey on 10 July 2006

At its meeting on 12 June the Committee agreed that deputies could attend if members of the Committee were unable to do so.

Introduction

1. The Committee on the Preparation for Government met on 32 occasions between 5 June and 4 September 2006. At the first meeting on 5 June, the Committee considered the direction from the Secretary of State dated 26 May 2006 and the term ‘consensus’ in the direction relating to decisions of the Committee. A discussion followed and it was agreed that the Committee would regard consensus as ‘general all party agreement’. (A copy of the directions issued by the Secretary of State which are relevant to the work of the Committee are attached at Appendix 1, Part 3).
2. At the first three Committee meetings, the members debated the arrangements for chairmanship but were unable to reach consensus on what these should be. The Secretary of State was advised on 7 June that the Committee was unable to select a Chair. On 12 June, the Secretary of State directed that the Committee should be chaired by the Deputy Presiding Officers, Mr Jim Wells and Mr Francie Molloy.

Referral by the Secretary of State

3. At the meeting on 12 June, the Committee noted that, on 26 May, under the provisions of section 1(1) of the Northern Ireland Act 2006, the Secretary of State had referred the following matter to it –

‘To scope the work which, in the view of the parties, needs to be done in preparation for Government.’

4. During June, each of the parties made a detailed presentation on the issues that it considered needed to be scoped in preparation for government. These began with the presentations from the Alliance Party and the DUP on 20 June. The presentation from Sinn Féin took place on 21 and 22 June and was followed by the presentation from the SDLP on 26 June. The presentations concluded with the UUPAG on 28 June. The minutes of proceedings and minutes of evidence relating to these discussions can be found on www.niassembly.gov.uk/theassembly.

Working Group on the Economy

5. At its meeting on 20 June, the Committee considered a letter from the Speaker enclosing correspondence she had received from the Secretary of State about the establishment of a working group on the economy. The Committee noted that, on 16 May, the Assembly had resolved –

‘That a Working Group should be established to consider the economic challenges facing Northern Ireland and to make recommendations to a restored Executive.’

6. The Committee, however, was not able to reach any consensus on the establishment of a working group.
7. On 3 July, the Secretary of State wrote to the Speaker to the Assembly on a number of issues, including the establishment of a working group on economic challenges. The Secretary of State noted that the parties had different views on the best way to give effect to the agreement in the Assembly on setting up the working group. He advised, that given

the aim of such discussion was to make preparation for the work of a restored Executive, he was referring the matter of discussion of economic issues to the Committee on the Preparation for Government under section 1(1) of the 2006 Act and directing it, under paragraph 4(1) of Schedule 1 to that Act, to set up a sub-group and report back to the Assembly in September.

8. This was followed, on 11 July, by a further direction from the Secretary of State to the Committee directing the establishment of three sub-groups, including a sub-group on the economic challenges facing Northern Ireland.
9. On 17 July, the Committee agreed the terms of reference for this sub-group and these are set out in the sub-group's report.

Report

10. The sub-group submitted its report on 25 August and the Committee considered this at its meetings on 29 August and 4 September. The Committee accepted the recommendations and conclusions, subject to the following amendments –

Recommendation 10 – the words ‘needs to’ should be deleted and the word ‘should’ inserted.

Recommendation 15 – this statement should be moved to the Executive summary and the remaining recommendations should be renumbered as appropriate.

Recommendation 18 (now re-numbered as 17) –

Delete the third bullet point

Insert a new third bullet point to read ‘undertake further work on how an economic package/peace dividend could contribute to economic regeneration.’

Insert a new recommendation 18 to read ‘If an extended mandate for the sub-group is agreed by PfG, the sub-group recommends that approval should be given to temporarily contract an economist(s) as a special advisor to provide expert insight and advice on the sub-group's work and to assist in the preparation of a further report to PfG’.

Recommendation 20 – delete ‘agree’ and insert ‘recommends’.

11. It was agreed that the report should be printed as the first report from the Committee on the Preparation for Government.

Sub-group Terms of Reference and Membership

Terms of Reference

1. To identify the major impediments to the development of the economy in Northern Ireland.
2. To consider fiscal incentives that may promote foreign direct investment and indigenous investment.
3. To consider how other matters including an economic package/peace dividend could contribute to economic regeneration and how this might be delivered.

To report to the Committee on the Preparation for Government by 25 August 2006.

NB: The PfG agreed to extend the reporting deadline from 18 August to 25 August at its meeting on 2 August 2006.

Membership

The sub-group has 10 members nominated by the Preparation for Government Committee (PfG) comprising 2 representatives from the Alliance Party, DUP, SDLP, SF and the UUPAG. One of the 2 party representatives must be drawn from PfG, but substitutes may attend for either representative. The membership of the sub-group, including substitute members, since its first meeting on 20 July 2006 has been as follows:

Nominated members:

David Ford (Alliance Party)	Margaret Ritchie (SDLP)
Sean Neeson (Alliance Party)	Michelle Gildernew MP (SF)
Ian Paisley Jnr (DUP)	Mitchel McLaughlin (SF)
Peter Weir (DUP)	Dr. Esmond Birnie (UUPAG)
Dr. Alasdair McDonnell MP (SDLP)	David McNarry (UUPAG)

Substitute members:

Naomi Long (Alliance Party)

Kieran McCarthy (Alliance Party)

Diane Dodds (DUP)

Edwin Poots (DUP)

Lord Morrow (DUP)

David Simpson MP (DUP)

Nelson McCausland (DUP)

Alex Easton (DUP)

Wilson Clyde (DUP)

Robin Newton (DUP)

George Dawson (DUP)

Dr. Sean Farren (SDLP)

John Dallat (SDLP)

Fra McCann (SF)

Barry McElduff (SF)

Roy Beggs Jnr (UUPAG)

Leslie Cree (UUPAG)

Chairpersons

Chairpersons approved by the Secretary of State are listed below. Chairpersons have no voting rights.

- Jim Wells (DUP)
- Francie Molloy (SF)
- Naomi Long (Alliance Party)
- Alban Maginness (SDLP)
- David McClarty (UUPAG)

Quorum and Voting

The quorum set by PfG is 7, excluding the Chairperson.

Voting is by simple majority and each party has one vote.

Contents

Sub-group Terms of Reference and Membership	vii
Executive Summary	1
Recommendations	4
Introduction	7
Background to the Report	7
The Sub-group's Approach	7
Consideration of Evidence	9
The Current State of the Northern Ireland Economy	9
Section 1 - Impediments to Economic Growth	13
Political instability	15
Low R&D development, innovation and take-up by business of local research	16
Delays in Planning inhibiting development	16
Inappropriate and uncompetitive fiscal regime	17
Skills deficit and poor correlation between business needs and education provision, especially in vocational and technical skills	17
Public sector (departmental) concentration on creation of visions and strategies; public sector failure/delay in implementation and business support; lack of public sector agility and inability to act in a joined-up way	18
Unbalanced economy between public and private sector and a clear requirement for private sector growth	19
High economic inactivity rate	19
Infrastructure deficit	20
Low rate of indigenous business start-up and difficulties with development and maintenance after start-up	20
Underperformance in tourist industry	21
Peripherality and small size of domestic market	21
Conclusions	22

Section 2 - Fiscal Initiatives that may promote FDI and Indigenous Investment	24
General observations	24
Corporation Tax	25
R&D Tax Credits	26
Grants	27
Rates relief – lowering business costs	27
Zoning	28
Cross-border incentives	28
Loans and Public Private Partnerships (PPPs)	29
Views of the political parties	29
Conclusions	31

Section 3 – How other matters including an economic package/peace dividend could contribute to economic regeneration and how this might be delivered	33
Views of the political parties	36
Conclusions	37

List of Abbreviations	38
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Appendix 1

Part 1: Minutes of Proceedings relating to the Report

1.	Thursday 20th July 2006	41
2.	Tuesday 25th July 2006	44
3.	Thursday 27th July 2006	47
4.	Tuesday 1st August 2006	50
5.	Thursday 3rd August 2006 (10.00 am)	53
6.	Thursday 3rd August 2006 (3.30 pm)	56
7.	Tuesday 8th August 2006	58
8.	Thursday 10th August 2006	61
9.	Tuesday 15th August 2006	65
10.	Thursday 17th August 2006	68
11.	Tuesday 22nd August 2006	71
12.	Thursday 24th August 2006	75

13.	Tuesday 29th August 2006	80
14.	Monday 4th September 2006	82

Part 2: Correspondence on Procedural Matters

1.	Chairman of PfG and its sub-group	87
2.	Substitute arrangements and dual member/chairperson issues	89
3.	Extension to date of sub-group to report to PfG Committee	91
4.	Arrangements for taking oral evidence after the report deadline	93

Part 3: Directions from Secretary of State

1.	26th May 2006	99
2.	2nd June 2006	104
3.	5th June 2006	105
4.	12th June 2006	106
5.	3rd July 2006	108
6.	11th July 2006	113

Executive Summary

The sub-group to consider and report on the challenges facing the Northern Ireland economy realised from the outset what a daunting task it faced in attempting to pull together a report in 5 weeks. The sub-group determined to ensure that key interest groups were given the opportunity to register their views and put them on the record. This report represents an assessment of those contributions and an attempt to translate the views of the experts into a set of sensible and informed recommendations. The oral and written contributions from the witnesses are, however, of significant importance on their own merits and the sub-group commends these to the Preparation for Government Committee.

The report is set out in 3 sections reflecting the sub-group's terms of reference. Section 1 deals with impediments to economic growth, Section 2 rehearses the arguments for and against a range of fiscal and financial incentives and Section 3 looks at the evidence in support of an economic package or peace dividend.

It is hoped that the report will form a basis for a constructive and informed Assembly debate in September 2006 and that its recommendations will throw some light on the many challenges that face the economy. The sub-group was struck by the optimism evident in the presentations of business leaders, union and voluntary sector representatives, all of whom saw reasons to be confident about our own ability to tackle the many structural problems that need to be addressed. The sub-group hopes that this confidence will be supported by government action on its recommendations and that the consensus achieved by the sub-group on the problems the economy faces, and the potential solutions, will provoke a positive response backed by appropriately targeted resources and the establishment of a competitive fiscal environment.

The sub-group recognises the need for radical change if we are to move from a public sector dominated economy to one where a growing and profitable private sector is contributing to the extra productivity and value added needed to close the wealth gap between Northern Ireland and the UK and the growing disparity with the Republic of Ireland. It is not, however, enough simply to scope the nature and size of the problems or for Ministers to inform us of our need to break free from a dependence on public expenditure. Government needs to address the problems 'head on' by establishing a fiscal environment that attracts international companies and encourages local businesses to develop and grow through research and development into the export market.

All the parties on the sub-group accepted that failure to have all-party agreement on the political institutions and policing will hinder and act as an impediment to business investment in Northern Ireland. The sub-group recognises that Northern Ireland plc needs to perform better and that it is not only a question of additional resources and tax incentives. There was much evidence provided of failings in our education system and in the delivery of outcomes from an array of government strategies. We are not producing enough people with the skills needed by today's and tomorrow's employer. We need to engage more actively in research and development and bring to the market finished products developed out of our two excellent universities. The sub-group recommends establishing a Knowledge Bank based on best

practice in Wales, which has been funded by the National Assembly for Wales. We have lost some of that spirit of entrepreneurship that helped create some of the world's leading companies in the past. Years of strife may have sapped a little of our confidence and we have become risk averse, but we are also a regional economy of small businesses that have demonstrated huge resilience during many difficult years.

The sub-group heard evidence of the many opportunities for economic growth in new high-value businesses in bio-technology, medical science, computer software, renewable energy and life sciences. The potential for growth was also evident in some of our traditional industries such as agrifoods and textiles and by more effectively exploiting our natural advantages through improved infrastructure opening new markets and enticing the tourists that more and more have been attracted to our shores to spend time and money exploring key signature projects and the beauty of our countryside and cultural diversity.

It is essential that adequate resources are invested in education and infrastructure and that these are developed strategically in support of business. Delays in planning approvals are frustrating economic opportunities and there is a growing realisation that public services need to focus more on supporting the economy. No one recognises economic borders in an enlarged Europe and we need to do better and more to develop links with our neighbours to exploit trading opportunities in a global market. The sub-group recognises the benefits of partnership through practical and mutually beneficial collaboration with the RoI and with the UK, European and American markets.

The sub-group also recognises that there are disparities within Northern Ireland and that there is a huge job to be done in creating the structures and providing the resources essential for rural and urban regeneration. Evidence was submitted by business leaders that quickening the process of roads development and improving rail services to Dublin and the North-West will help promote economic regeneration by bringing people to jobs and products to market more efficiently. The Ulster Farmers Union provided a refreshing insight into the opportunities for growth in farming.

Northern Ireland has suffered from years of under-investment in our infrastructure and the political parties represented on the sub-group speak with one voice in calling for an economic package that will enable a restored Executive to begin the long process of change in tackling the skills shortage, poor levels of literacy and numeracy, better roads and public transport delivered in quicker time and creating the fiscal incentives that can compete for Foreign Direct Investment (FDI) and encourage local business to invest in new products and processes and to become early adapters of new technology. The sub-group heard evidence that the present arrangements for delivering urban and rural regeneration are failing and supports a call for new government investment in getting people who are economically inactive back to work and in establishing enterprise zones in disadvantaged areas to attract industry.

There is evidence that small businesses are finding it difficult to compete in public procurement contracts and the sub-group encourages the Strategic Investment Board to deliver on its undertaking given during evidence that it will seek to develop a closer understanding of the needs of SMEs.

There is too much government bureaucracy and too little delivery. This was a sentiment shared by many witnesses. The sub-group supports the call for a leaner government machine with departments working collectively and strategically in support of economic development and ensuring that opportunities for wealth creation are spread across the whole community, east and west of the Bann. The sub-group recommends that responsibility for economic development should rest with a single department or agency and notes the success of the IDA in the RoI.

The cost of doing business in Northern Ireland is rising at an alarming rate through the phasing out of industrial de-rating, higher energy costs, fuel bills and water charges. These are extra costs on an already weak private sector that struggles to survive in a small and peripheral domestic market. Action is needed urgently to reduce these costs and the sub-group calls on the government to carefully consider the possibility of capping industrial rates and/or introducing a small firms rate relief scheme.

Finally, the sub-group accepts that it has only scratched the surface of the many issues raised in evidence. The Preparation for Government Committee has been asked to approve fresh terms of reference for the sub-group to look more closely at the merits of a range and combination of fiscal measures, and to consider and report on measures required to develop an integrated skills and education strategy linked to business needs.

Recommendations

1. The sub-group agreed to include all the submissions and presentations received in its report and recommends that PfG and the Secretary of State and his Ministers should study the evidence carefully. There is much quarry for further work in the material submitted.
2. That the current level of public expenditure should be protected during a transitional period agreed with Treasury to allow competitive fiscal incentives and targeted investment to rebalance the economy towards high value added Foreign Direct Investment (FDI) and indigenous companies.
3. That the Business Investment Programme budget is reviewed and additional resources made available to finance grant aid, targeted at businesses actively engaged in collaborative R&D activity with universities, multinationals and other partners.
4. That the role, structure and functions of Invest Northern Ireland (INI) be reviewed to determine if it is delivering effectively on its core objectives and is fit for purpose.
5. That investment in vocational training, skills and R&D activity in universities should be increased, an effective strategy developed to enhance knowledge transfer from applied R&D activity in commercially viable products, and that FE college curricula should be better integrated with the needs of business and focused on areas where skill shortages are hampering future economic growth. The aim should be to create an enterprise culture in schools, including the primary sector.
6. That a “Knowledge Bank” for business should be established modelled on the National Assembly for Wales strategy document “Wales: A Vibrant Economy”.
7. That a dedicated post should be created in the Department of Education for a person to take overall responsibility for driving improvement in science education.
8. That any savings that may be made from government efficiencies should be retained and used in Northern Ireland.
9. That PfG recommends the centralisation of government responsibility for economic matters within a single department or agency. That all government departments work to agree a common strategy and vision in support of promoting economic growth and social partnership that is accountable to a restored Executive.
10. That there should be a discussion with Ministers on alternative uses for the £30m set aside for an energy subsidy.
11. That detailed analysis is undertaken to identify economic opportunities through establishing effective clustering and collaboration with RoI on infrastructure development, R&D and skills training along designated economic corridors.
12. That the planning process is reviewed and adequately resourced and effectively managed to reduce delays and to provide an enabling culture and an appropriate balance between the

needs of the economy and the requirements for consultation. That the planning process is streamlined by setting end dates for consultation and focusing priority on approving area plans.

13. That an implementation plan is developed and agreed across government departments and agencies, that coordinates the delivery of various economic strategies and monitors performance against rigorous completion targets.
14. That an urgent review should be undertaken of the most appropriate and effective structure for delivering urban and rural regeneration plans.
15. That serious action is taken to eradicate organised crime and criminality, particularly where it impacts on business and acts as a serious impediment to economic stability and growth.
16. The sub-group noted that from the current evidence it was clear that a low rate of corporation tax was a major driver in RoI economic success through promoting inward investment and that there have been problems in practice with the use of tax credits in Northern Ireland. The sub-group agrees that it would be appropriate to reflect on the outcome of the ERINI research detailed below and recommends that:
 - The Economic Research Institute of Northern Ireland's (ERINI) study on the impact of FDI should be copied to PfG and the economic sub-group to inform deliberations on fiscal options necessary to promote FDI and indigenous business;
 - PfG requests that DETI commissions an independent study into the relative economic benefits and comparative costs of a range of fiscal measures including: reform of corporation tax to create a competitive headline rate; increased R&D tax credits based on the work of Professor Harris; improved grant aid, including a substantial increase in the Business Investment budget and the possible reintroduction of the Chancellor's Initiative on capital grants; reformed fuel-duty levels to reduce the transport costs of business and undermine the smuggling of fuel that promotes crime and ultimately reduces tax revenue; and the capping of industrial rates and the introduction of a small business rate relief scheme. The study should examine the relative benefits and costs of each individual option and identify the combination that maximises FDI and indigenous business growth;
 - The study, as a matter of urgency, should address the following questions:
 - Any costs in terms of revenue foregone?
 - Longer term impact on tax revenue as investment rises?
 - How far is investment in established firms sensitive to rates of post-tax profitability?
 - How far is the level of FDI determined by rates of business taxation and how far by other factors (such as availability of skilled labour, the science base, English language availability and extent of business regulation)?
17. PfG should set new terms of reference for the economic sub-group to:
 - Consider the results of the ERINI research and the commissioned DETI study into the fiscal options to prepare a costed case for consideration by a restored Executive and the Treasury;

- Consider and report on measures required to develop an integrated skills and education strategy capable of meeting the current and future needs of the economy and based on best practice elsewhere; and
 - Undertake further work on how an economic package/peace dividend could contribute to economic regeneration.
18. If an extended mandate for the sub-group is agreed by PfG, the sub-group recommends that approval should be given to temporarily contract an economist(s) as a special advisor to provide expert insight and advice on the sub-group's work and to assist in the preparation of a further report to PfG.
19. The sub-group welcomes recent efforts by the Economic Development Forum (EDF) to consult with local political parties and recommends that this political interaction should continue and be expanded to include a wider spectrum of interested organisations with a stake in the future of the Northern Ireland economy.
20. The sub-group recommends that the unacceptable rate of economic inactivity could be targeted by increased return to work credits through DEL, informed by research to assess the level of credit required to take people out of benefits. This would require a reintroduction of the Chancellor's Initiative Skills Fund.
21. The sub-group took into consideration the evidence submitted by witnesses and recommends that an economic package should focus on the following 4 key areas:
- Community regeneration (urban and rural);
 - Infrastructure;
 - Education and skills; and
 - A cocktail of fiscal incentives capable of attracting FDI and encouraging the growth of high value-added indigenous companies.

Introduction

Background to the Report

1. The sub-group to consider the economic challenges facing Northern Ireland was established by the Preparation for Government Committee (PfG) following directions by the Secretary of State for Northern Ireland, The Rt Hon Peter Hain MP, on 3 and 11 July 2006.
2. The sub-group has been tasked to report its findings to PfG by 25 August 2006 in preparation for an Assembly plenary debate in September 2006. Following consideration, the report may be published as a PfG report.

The Sub-group's Approach

3. The sub-group agreed to take oral and written evidence from a wide range of organisations and individuals to ensure that key interest groups informed its findings. The sub-group wrote to 23 organisations/individuals inviting oral evidence and requested a written response from a further 23 organisations/individuals. The sub-group was delighted with the high level of responses received during the peak holiday period and took oral evidence from 19 sets of witnesses and received 17 written submissions. The sub-group would like to record its gratitude to all the organisations and individuals who have provided invaluable input to its deliberations.
4. The sub-group met on 12 occasions and heard oral evidence during 6 meetings. The report and associated papers are set out in 4 volumes. Minutes of Proceedings of sub-group meetings are set out in Appendix 1 to this volume. Volume 2 contains the Minutes of Evidence transcripts of the oral evidence sessions at Appendix 2, and the sub-group's work plan at Appendix 3. The written submissions and further material requested from those who gave oral evidence to the sub-group is at Appendix 4, sections 1 and 2 of Volume 3, and the written submissions received from those who did not give oral evidence are at Appendix 4, section 3. Presentations made by the political parties represented on the sub-group are at Appendix 4, section 4 (Volume 4). Research papers, including three prepared by the Assembly Research and Library Services are included at Appendix 4, section 5 (Volume 4).
5. The sub-group has obtained PfG approval to take oral evidence after the report is submitted from Maria Eagle MP, Minister with responsibility for the Departments of Enterprise, Trade and Investment, Education, and Employment and Learning respectively. The evidence session is currently scheduled for Tuesday, 5 September 2006. It is also hoped that representatives from youth organisations can provide oral evidence on 5 September. An addendum to this report will be submitted to PfG before the planned plenary debate.
6. The sub-group considers this report to be work in progress and was realistic about what could be achieved in so short a time. The issues it has addressed are deep-seated and structural and have been around for a long time: there is no magic bullet. The sub-group set its sights on identifying a clear set of recommendations that reflects the main thrust of the evidence

submitted. The sub-group believes that the recommendations address what is required to take the Northern Ireland economy through a transitional phase from its current low productivity and public/private sector imbalance, to a more healthy reliance on wealth creation through increased FDI and indigenous industry competing in high-value export markets.

7. The sub-group welcomes the opportunity to debate its findings and recommendations in the Assembly and hopes that these may inform the work of a future Executive. The sub-group considers that its report, if adopted by PfG, also needs to be addressed by government ministers who currently have responsibility for economic policy. The sub-group believes that implementation of its recommendations will help create a more vibrant Northern Ireland economy, less dependent on public expenditure, leading in the long run to a reduction in the current subvention.

Consideration of Evidence

8. A considerable wealth of evidence has been submitted during the 5-week timeframe set by PfG for a report by 25 August 2006. It has not been possible to give detailed attention to all the evidence or to explore in depth the many useful suggestions and advice offered. **The sub-group agreed to include all the submissions and presentations received in its report and recommends that PfG and the Secretary of State and his Ministers should study the evidence carefully. There is much quarry for further work in the material submitted.**
9. The sub-group has included in its recommendations a formal request to PfG to extend the sub-group's remit to allow further work to be done on the 2 key issues of creating an appropriate fiscal environment in which business can flourish, and examining what needs to be done to promote an education and skills strategy that best reflects the current and future needs of business and the Northern Ireland economy.
10. The sub-group acknowledges that the evidence indicates that some good work is being done within the public and private sectors to face up to the challenges ahead and to tackle the impediments that have hindered economic growth in the past. The sub-group noted that many of the witnesses emphasised that they were positive about future prospects and were confident that, with appropriate fiscal incentives and a supply of skilled labour, Northern Ireland could attract FDI and compete successfully in the world market.

The Current State of the Northern Ireland Economy

11. The sub-group noted that there has, at times, been some convergence in Gross Value Added (GVA) per head compared with the UK. This has been driven by strong and sustained employment growth. Figures supplied by the Department of Finance and Personnel (DFP) show that since 1996, NI employment growth has outstripped the UK at 15.7% compared to 11.2%. The unemployment rate in NI currently sits at 4.5% (a fall from 9.4% in 1996) compared to a UK average of 5.4%. Except for London, Northern Ireland has been the fastest growing region in terms of employment, creating 115,000 jobs over the last 10 years including 92,000 in private services and 32,000 in the public sector. However, 18,000 jobs have been lost in manufacturing over this period.
12. Growth in the private service sector output has mainly relied on expanding business and financial services growing from a low base. Despite the significant job losses, manufacturing output has grown as productivity levels have increased. The result has been some convergence in relative economic prosperity and GVA per capita has increased from 74.8% of the UK's in 1989 to 80.2% by 2004, placing NI ahead of Wales (79.1%) and the North East (79.9%). The inward flow of people into Northern Ireland shows a net increase of 15,000 over the last year and this trend seems likely to remain in positive territory for the next few years and perhaps longer.
13. These positive signs, however, mask a growing negative trend in labour productivity, which has declined from 88% to 78%. The employment boom has been mainly in low productivity jobs. Evidence provided by DETI indicates that Northern Ireland has the highest rate of

economic inactivity in all UK regions at 28% (2006) compared to the UK average of 21.5%. Some of this is accounted for by a higher proportion of students in the NI figures (NI = 29% and UK = 25.4%). More alarming is the proportion accounted for by people registered as sick or disabled, which at 33.6% compares unfavourably with a UK average of 28.5% and only 11.8% in the RoI.

14. The structural imbalance between the public and private sectors shows no sign of changing and UK government transfer payments (e.g. social security payments) and payments for services (e.g. health and education) are approximately 71% of GDP. While the public sector accounts for 35% of all employment it contributes only 27% of GVA. This imbalance will mitigate against any significant closing in the wealth and productivity gaps between NI and the UK and RoI. Unless this imbalance is addressed NI will continue to lag significantly behind our neighbours.
15. No evidence was offered suggesting that simply cutting the public sector will cure the problem. On the contrary, the evidence supports the need for sustained public sector investment while the structural problems are addressed through targeted fiscal measures, enhanced investment in education and skills and a more effective implementation of infrastructure investment plans. The Business Alliance has estimated that the NI economy needs to grow at twice the UK rate to generate around 140,000 quality jobs in the private sector over the next ten years if we are to close the prosperity gap and reduce long-term unemployment. Business Alliance argues that, without a tailored economic strategy, NI will continue to need disproportionate public sector spending simply to stand still. A number of witnesses, including the Business Alliance and the Industrial Task Force argued that a step-change in the NI economy was required to support accelerated growth and a transition to a private sector-led economy.
16. The Business Alliance believes that a radical strategy is needed including:-
 - The proactive promotion of investment, entrepreneurship and business formation;
 - A flexible and competitive fiscal environment;
 - A skills strategy matched to the future needs of the economy;
 - A sustained investment in infrastructure (which is affordable);
 - Increased levels of innovation and technology transfer;
 - A reshaped and refocused public sector which supports the transition to a private sector-led economy;
 - Flexibility and responsiveness in regulation and planning; and
 - An operating plan to fully exploit the opportunities of all-island markets and economy.
17. In its oral presentation, the Business Alliance referred to a period in the 1960's and 70's when government incentives in the form of capital grants and accelerated allowances brought a wave of international manufacturing companies to Northern Ireland. The Business Alliance recognises the essentially promiscuous nature of multi-nationals which will always seek out low-cost/ high incentive locations. The up-side is that a positive legacy remains because they help to fast-track skills, management training and supplier chain improvements. Business Alliance noted that it would only take a few big inward investment companies to make a significant difference to the economy. The aim is to keep them here and that can best be

achieved if they also bring their boardrooms, marketing, R&D and financial centres. Establishing an attractive fiscal environment supported by a modern infrastructure and a good supply of skilled labour will create the enabling environment.

18. The Business Alliance believes that there is a case for targeting financial services as a growth sector by attracting a centre for financial services into an enterprise zone. This would create a seedbed that could tap into an overflow from the RoI, which is running out of affordable office space and skilled people in the Dublin area.
19. The sub-group heard these points repeatedly from witnesses and would endorse their general thrust.
20. The sub-group heard evidence from DETI officials that the main reason for low productivity is that Northern Ireland is not well represented in the highest value-added sectors of the economy, such as business services in the finance and communications sectors and is over-represented in low value-added industries such as construction, agriculture and public services. The economy is mainly comprised of micro businesses employing fewer than 10 people, many of which lack the skills and resources to develop externally. FDI firms have higher productivity rates, invest more heavily in technology and have more efficient and sophisticated management structures, reflecting their greater size and benefiting from economies of scale.
21. The sub-group heard evidence from a number of witnesses that the existing private sector lacks the critical mass to make the leap into a new economic trajectory required to rebalance the economy and close the wealth gap. Yet many witnesses gave evidence indicating that there was considerable opportunity for growth in areas such as biotechnology, renewable energy, tourism, life sciences, agrifood and nanotechnology. An enterprise culture, more innovation and investment in R&D within the private sector and the ability and resources needed to exploit these opportunities are essential if we are to make that leap. According to the 2004 Global Entrepreneurship Monitor, Northern Ireland ranks 9th out of the 12 UK regions on entrepreneurial activity. Northern Ireland's total entrepreneurial activity is less than half that of the USA, and women in Northern Ireland have one of the lowest levels of entrepreneurial activity (2.3%) compared to other developed countries or regions.
22. The sub-group heard much from the business and voluntary sectors on the need to develop an education system that produces a higher proportion of literate and numerate school leavers. Currently, 30% of the workforce is not qualified to level 2 (equivalent to 5 GCSE's at grade A* - C) and 22.4% have no qualifications at all, compared to 13.2 % in the UK, rising to 42.6% of the economically inactive group.
23. DEL has put in place a number of strategies to tackle the skills deficit including: Success through Skills, FE Means Business, the Essential Skills Strategy and Pathways to Work. The sub-group noted that DEL is working with the Department of Education to develop a new management and leadership strategy and an all-age independent careers education, information, advice and guidance service. The sub-group welcomes these initiatives and notes that witnesses were generally supportive of these developments. The sub-group, however, is concerned that insufficient resources are focused on the education sector and in particular in the secondary school and vocational/technical education sector and in Further

Education colleges. Additional resources will be required if we are to meet the aspirations of the Economic Vision strategy to create “a high value-added, highly skilled, innovative and enterprising economy which enables us to compete globally leading to greater wealth creation and better employment opportunities for all.” At the same time, the sub-group noted that other issues may be relevant such as teaching methods, the breadth and depth of the school curriculum, school discipline and general attitudes to learning.

24. The sub-group agrees that investment in skills is central to economic regeneration. The sub-group also believes that targeted investment in universities and Higher Education is also essential, particularly at the interface with business. Greater risk-taking is necessary if Northern Ireland is to benefit from excellent university R&D activity by supporting the transfer of knowledge into product development and marketing.
25. In its strategic framework for economic development - *Wales: A Vibrant Economy* - the Welsh Assembly Government indicated its priority of raising the quality of jobs available in the Welsh economy. To this end, the strategic framework contained a commitment to create a ‘Knowledge Bank for Business’ with the aim of “attracting more high value-added functions to Wales and supporting businesses and sectors with growth potential”. (The Knowledge Bank was amongst the Welsh Assembly Government’s top-ten manifesto commitments.)
26. The purpose of the Knowledge Bank is to offer a unified finance service for innovators, providing a focused, unified support delivery mechanism for business in all of Wales. The aim is to increase the innovative capacity of industry and businesses, and the sustainability of innovating firms and individuals as profit-making enterprises, by bringing together entrepreneurs, inventors, financial services, the science base, technology transfer processes, venture capitalists and higher and further education interaction with business, and business support infrastructures.
27. The Knowledge Bank is initially working with 50 high-growth companies across Wales, providing consultancy advice, finance and training to support these companies in fulfilling their future growth potential. Each company is provided with a Commercial Manager, acting as a single point of contact with responsibility for ensuring the company can access resources and expertise from across the public and private sectors.
28. A budget allocation of £13.5m has been given to the Knowledge Bank for 2005/06 - 2007/08. By 2007 it is envisaged that between 100 and 150 companies will be supported by the Knowledge Bank.

Section 1: Impediments to Economic Growth

29. The sub-group accepts that some impediments are a function of our geographic isolation, though the advantages gained by near 100% broadband coverage reduce the impact of this traditional impediment in a knowledge based economy. Other impediments are less tangible, such as a culture of playing safe after years of strife and an aversion to risk-taking, which are equally debilitating in a modern economy.
30. After some deliberation, the sub-group agreed the following list of impediments while recognising that the list is not exhaustive.
- (i) Peripheral location and a high-cost, small domestic economy e.g. labour, energy, fuel, insurance costs.
 - (ii) Unbalanced economy between the public and private sectors, indicating a clear requirement to encourage private sector growth while maintaining public sector spending during a transitional phase.
 - (iii) High economic inactivity rate, including a disproportionate rate of sick/disabled people which represents a significant waste of productive resources in a tight labour market.
 - (iv) Low productivity rate compared to UK (82% in 2004, a drop of 7% since 1998) and low Gross Value Added at only 80% of the UK average. This is a product of low value-added businesses dominating the economy, with limited exposure to external markets, the rural location of many businesses and the public-sector bias, which produces strong consumer spending but low wealth creation.
 - (v) Low R&D investment and innovation inhibits business opportunities for growth and investment. R&D spending in Northern Ireland by private businesses is approximately 0.5% of Gross Value Added (GVA) compared to a UK average of 1.2% and an RoI average of 1.4%. The sub-group noted that the EU target is 3% and RoI 2.5%. Approximately 50% of R&D activity in Northern Ireland is done in universities so the private sector does not do enough.
 - (vi) Under-performance in some sectors including tourism, biotechnology and life sciences and a poor transfer of local R&D into the market place through insufficient investment and fiscal incentives, a risk-averse approach to entrepreneurship, the microbusiness structure of the economy and consequent low capacity to absorb new developments. Entrepreneurship needs to be encouraged through the school and further education sectors to highlight the opportunities for business and to develop entrepreneurial skills.
 - (vii) Political instability and uncertainty was listed as an impediment by many of the witnesses. Northern Ireland remains a less attractive place for FDI while there

- remains uncertainty about the future of political institutions at Assembly and local government levels. All the political parties on the sub-group recognise that an agreed return to local accountability and decision making is preferred to direct rule.
- (viii) All the parties agree that the level of business crime is putting a disproportionate burden on small businesses through high insurance costs.
 - (ix) Infrastructure remains weak and the implementation of the investment strategy for Northern Ireland needs to reach a new level of efficiency. Road, rail and air routes are the arteries of business. Witness evidence suggests that the Investment Strategy and its delivery is currently failing to provide a transport infrastructure capable of integrating north/south and east/west economic links and opportunities.
 - (x) Poor levels of literacy and numeracy and a fundamental deficit in the skills required to take advantage of business opportunities and employment are inhibiting economic growth. A partnership is needed between business and the education sector to identify and deliver a workforce equipped to meet current and future business needs in high value-added industry.
 - (xi) An inappropriate and uncompetitive fiscal environment that is not tailored to the needs of the Northern Ireland economy. Northern Ireland needs to attract FDI and promote indigenous business growth. This requires a fundamental re-evaluation of current levels of corporation tax, R&D tax credits, industrial rating, fuel duty and grant aid.
 - (xii) A poor planning process and consultation bottlenecks leading to extensive delays that frustrate existing business development and delay infrastructure projects.
 - (xiii) An economy dominated by SMEs working in a high-cost, low-value added environment. Low business start-up rates and limited ambition to expand. An inability to compete for major infrastructure projects. Inadequate liaison, or consultation arrangements, with the Strategic Investment Board (SIB).
 - (xiv) Poor spatial planning mitigates against the integration of infrastructure developments and a skills strategy on an all-island basis. Inadequate levels of practical collaboration between government and business to maximise economies of scale and the benefits of clustering for R&D to take advantage of an overheating RoI economy.
 - (xv) Too much emphasis in government on developing strategies and not enough attention given to implementation.
 - (xvi) Lack of joined-up government. Too many government departments working on core economic development issues e.g. seven departments input to the tourist strategy. The absence of a single strategic focus driven by one department with responsibility for FDI and indigenous businesses including small businesses.
 - (xvii) Inappropriate levels of bureaucracy and regulation (to gold plated standard) inhibiting industrial expansion, planning approvals and financial returns on investment.

31. The written evidence largely supported the oral evidence. Mivan's written submission takes the view that the key impediments "have already been correctly defined in the *Economic Vision*, which identified four economic 'drivers' necessary to overcome the structural weaknesses of the Northern Ireland economy". Those 'drivers' are:
- Increase investment in R&D and promote innovation/creativity;
 - Promote and encourage enterprise;
 - Ensure our people have the right skills for future employment opportunities; and
 - Ensure we have a modern infrastructure in place to support business.
32. Mivan can see "little evidence of strategies and programmes that are making any real impact in alleviating these weaknesses".
33. The Business Alliance noted that there was "widespread consensus between business, government and economic commentators" over the underlying structural weaknesses of the economy, and was of the view that "government's current policy and approach will not create the growth and quality jobs needed..."
34. The evidence from the written submissions has been categorised below against the impediments detailed in paragraph 30. The views listed under the following headings are intended as illustrations of the general opinions expressed by witnesses and are not exhaustive. The sub-group has included these references to assist Assembly Members to identify key evidence in support of a plenary debate in September 2006.

Political instability

35. The Quarry Products Association NI (QPANI) cited this as a major impediment, saying there was a need for "strong political leadership" and that we must "rid streets of hatred and abuse" and "create a more positive international image". The Freight Transport Association (FTA) agreed that political stability is crucial for business confidence. UUTech Ltd. noted "perceived political instability" as an impediment, further noting that "the democratic constituencies of direct-rule Ministers lie elsewhere".
36. Northbrook Technologies referred to a "lack of visionary political leadership" and to the "continuing legacy of the troubles" (while linking this to sectarianism). Although not perhaps directly relevant to this heading, Northbrook expressed concerns that a growing trend of racism was also an impediment.
37. John Bradley's paper: "*An island economy or island economies? Ireland after the Belfast Agreement*" takes a pessimistic view that, while direct rule was likely to lead to "industrial decline, stagnation and dependency", devolved government was "unlikely to be more beneficial to Northern Ireland than it is at present to Scotland." The author also found it "impossible to envisage any politically acceptable process through which the economy of Northern Ireland can break free of the constraints of being a peripheral region of the United Kingdom".
38. The Business Alliance gave high priority in its submission to "securing a stable devolved government with an end to paramilitary activity, civil unrest and sectarianism" as one of

three elements required to achieve the goal of closing the prosperity gap with the rest of the UK and the RoI.

Low R&D development, innovation and take-up by business of local research

39. The International Centre for Local and Regional Development (ICLRD) referred to low investment levels as a result of “poor alignment between spatial planning strategies and business decision-making processes.” Mivan linked the company’s growth and international competitiveness to continued investment in R&D.
40. The Federation of Small Businesses (FSB) wanted DETI to use local R&D “champions” to promote good practice and to create a greater awareness of the benefits of R&D in the SME sector.
41. The Business Alliance noted that the majority of businesses do not claim the R&D tax credit. The definition is too narrow and needs to include a wider range of business costs e.g. training and marketing. Business Alliance believed that the advantage of improving tax credits is that it encourages business to invest and spend in the areas that are required to move the economy on.
42. The sub-group noted that the USA, through the Baye-Dole Act in 1980, had promoted a fundamental change in the way intellectual property (IP) rights are treated at universities and other non-profit institutions. Prior to the Act, university discoveries were owned by the US government. The Baye-Dole Act permits universities to own, patent, obtain copyright on, or maintain trade secrets on IP, provided that the government receives an automatic licence to practice any patents or other protectable IP, and the university takes steps to commercialise the R&D work. The sub-group believes that the possibility of adopting a similar approach in Northern Ireland should be explored.

Delays in Planning inhibiting development

43. The Construction Employers Federation (CEF) highlighted the protracted planning and development control processes as an impediment. Delays in planning decisions, caused by a lack of response time-frames for consultation (particularly with government agencies), were cited as a “major deterrent to investment in the local economy”. The sub-group heard oral evidence that there were particular process delays in responses from the Environment and Heritage Service.
44. ICLRD submitted that “more strategic linkages are required between the spatial planning strategies and development policies within the respective jurisdictions”. ICLRD contended that “there are gaps in the reliability of existing data sources” which need to be addressed to facilitate more timely planning decisions.
45. The Business Alliance identified the current poor planning response as a major barrier to development of almost every kind, whether in the housing, retail or business development sectors.

46. The Northern Ireland Tourist Board (NITB) raised concerns about how the Planning Service deals with tourism and emphasised the need to proceed quickly with the development of Planning Policy 16 on tourism.

Inappropriate and uncompetitive fiscal regime

47. QPANI identified the “absence of a competitive tax regime with the Irish Republic” as a major impediment. FTA also cited the “significantly higher levels of business taxation” as a likely cause of investment heading south.
48. UUTech Ltd. expanded on this point to a degree, noting that Northern Ireland’s economy is “tiny” in “the context of the global, European or even greater UK market”. UUTech said that there were consequences of this lack of scale in terms of the requirement to build customers in countries, or regions where companies have no presence and limited resources. UUTech went on to suggest that the 12.5% Profits Tax regime in the ROI is a critical factor in investment decisions, regardless of companies’ insistence that educational standards and quality of research and innovation were of equal or greater importance. Comparing the two cost bases in NI and ROI, the submission concluded that the tax regime “stands out”.
49. UUTech Ltd. suggested that a “central pool of funds focused on developing Intellectual Property” could be used as a direct and attractive incentive to companies to locate R&D operations in Northern Ireland. There may be some consistency or similarity here with the oral evidence from Wrightbus in which ‘licensing’ was seen as a potential growth sector.
50. The ICLRD submission referred to the “competitiveness issues” which arise because of the “different currencies, tax systems, legislation and administration regimes”. ICLRD advocates presenting both jurisdictions jointly to the global economy to “increase competitiveness and offer critical mass and economies/efficiencies of scale”.
51. The John Bradley ‘Island economy...’ paper gives an interesting perspective on the historical and current industrial and trade policies in Northern Ireland and in the ROI. The paper explores the key differences in policy emphasis between a state and a region and concludes that both jurisdictions are “attempting to improve their competitive advantages largely in isolation from each other.” It was the author’s view that “there are gains to be made from intra-island trade” but that potential gains “...may be modest relative to the potential gains from greater penetration into wider-world (including British) markets”. The paper suggests that North-South trade improvement is not an alternative to East-West improvement, but “entirely complementary” to it.

Skills deficit and poor correlation between business needs and education provision especially in vocational and technical skills

52. QPANI said that there was a lack of key skills in specific growth industries. FTA quoted a statistic that one third of freight transport companies have difficulty recruiting drivers.
53. Northbrook Technologies made this one of four areas it considered to be major impediments, stating that a “chronic shortage of IT skills” was frustrating its ability to grow at its preferred rate and that it impacted on its ability to attract similar FDI.

54. Mivan referred to a difficulty in recruiting and retaining workers “with the necessary vocational and work-readiness skills to deliver on client expectations”. The submission stressed that vocational skills, while essential, cannot be capitalised on without other skills, such as communication, literacy and numeracy, team-working and technology, being available.
55. The Business Alliance had concerns about the implementation of the DEL/Department of Education skills strategy, stating that it needed a responsive education and training infrastructure to meet existing business needs e.g. software development skills deficit, and more thought on the long-term needs of the economy based around e.g. life sciences, technology or nano-technology. Business Alliance criticised the funding arrangements, which focus predominantly on one of 4 themes identified by the Economic Development Forum, that of “improving the quality and the relevance of education and training”. The Business Alliance wanted a much stronger link between the strategic intent of Northern Ireland’s economic development needs and what is happening in the further education colleges and in universities.
56. In response to a sub-group member’s question, the Department of Education provided information on what business was seeking from the education system. This included identified weaknesses, needs of employers and suggestions for improvement. The weaknesses correspond with what has gone before: poor literacy and numeracy levels, young people without vocational skills relevant to the world of work, and key skills (graduates and other school-leavers) being below employers’ expectations. Significantly, the DE paper lists “basic and key skills” which go beyond just literacy and numeracy to include communication, thinking and problem-solving and team-working skills.
57. The Association of NI Colleges (ANIC) submission confirmed poor literacy and numeracy skills as an impediment. However, ANIC went further, referring to the need to catch up with other regions in terms of those in the workforce qualified to levels 2 and 3. Significantly, the submission referred to implications for both the colleges (in terms of provision) and for businesses themselves, in terms of their “commitment to skilling, upskilling and reskilling”. ANIC also referred to the necessity for “greater articulation of needs” and the expectation that ‘Further Education means Business’ should address this.
58. A submission from the Northern Ireland Manufacturing Focus Group (NIMFG) referred to the need for “better co-ordination between training and education provision” while saying that the education system “fails to provide the basic skills at one end or the global ambition at the other”.

Public sector (departmental) concentration on creation of visions and strategies; failure/delay in implementation and business support; lack of public sector agility and inability to act in a joined-up way

59. QPANI referred to “ineffective decision-making within government departments (but was not specific as to which) and “over-regulation and red tape”. The FTA cited the lack of immediate movement by DOE on a licensing regime for the road haulage industry (until 2008/09) as an example of a lack of will to take positive action, which results in a detrimental effect on investment. Northbrook referred to the burden of over-government, as did the CEF.

60. Mivan said that the company has “experienced frequent conflicts between the risk-averse strategies manifested by DETI and the ability of Invest NI and DEL to deliver appropriate programmes.” Mivan pointed out that in the ROI, one body (IDA Ireland) has responsibility for economic development strategy and delivery, but that in Northern Ireland economic development policy and programming alone involves seven departments, with INI having a delivery, but no strategic role, to play.
61. John Bradley in his paper: *“Industrial Development in Ireland, North and South: Case studies of the textile and information technology centres”*, considers the structure of the NI economy, referring to the “portfolio imbalance” in manufacturing. The paper describes policy proposals for addressing the problems in the textiles and clothing sector as “pious aspirations rather than rational, implementable strategies”. This is compared (unfavourably) to the activities of the IDA in the Republic in bringing the US computer industry to Ireland: “a classic example of a state development agency that mediated between the narrow firm-based concerns of potential investors and the wider social concerns of national policy makers”. The paper goes on to note that this agency (the IDA) alerted the Irish government to problems (which had the potential to choke growth) in terms of availability of electrical engineers and technicians, and in the telephone network, resulting in dedicated programmes being put in place to address the problems in each of these areas.

Unbalanced economy between public and private sector and a clear requirement for private sector growth

62. QPANI agreed that there was “over-dependence on the public sector”. ICLRD also referred to this over-reliance and the need to progressively shift to a more balanced ratio of contributions between the private and public sectors. Northbrook also referred to the dependence on public sector spending.

High economic inactivity rate

63. QPANI cited this as an impediment, as did Northbrook. Figures provided by DETI showed that a greater proportion of those economically inactive was accounted for by students and the sick/disabled in Northern Ireland compared with the UK and RoI.
64. DEL provided further figures on inactivity. Of particular note is that 40,000 (14%) of the 295,000 economically inactive would like a job. Figures quoted appear to be on a slightly different basis than those provided earlier by DETI but are very similar, with 31% of those who didn’t want a job giving “long-term illness” as the reason. The sub-group noted that “family/caring responsibilities” is used as a category, and that this represents 27% of those who don’t want a job.
65. The DEL submission alluded to “a central plank” of its strategy being the movement of those detached from the labour market towards it. The submission went on to recognise that the main emphasis had been on New Deal and New Deal 25+, which are both focused on Jobseeker’s Allowance, and data on the performance of New Deal was provided. The submission stated that this approach was being extended to Incapacity Benefit claimants through “Pathways to Work Pilots” which had started “in a number of offices”.

66. DETI also submitted further statistics on recipients of Incapacity Benefit, highlighting that the number of recipients as a percentage of working age population was 6.6% (69,000 recipients), which was significantly higher than the GB rate (4.1%). The information highlighted the fact that 90% of recipients (62,800) are on the long-term rate (i.e. sick for one year or more) whereas the GB rate for this is 87%.

Infrastructure deficit

67. A significant user's perspective on the roads infrastructure issue was supplied by the Freight Transport Association (FTA), which noted the absence of one of the five trade routes (that it had identified as needing immediate improvement) from the Roads Service 'Preparation Pool' (i.e. the A8 Ballynure to Larne single carriageway). The FTA said that this route is "critical for the sustainability of Larne Port" and its links to the supply chain. While acknowledging that four of its five trade routes are listed in the preparation pool, the FTA criticised the "long lead times", meaning that fruition will be "too late" and a "major threat to the economy of the province". The FTA concluded that proposed severe cuts in the planned roads maintenance budget were "inconsistent with economic strategy" (and with road safety objectives).
68. The FTA also raised concerns about the Review of Public Administration (RPA) and the proposed transfer of responsibility for the roads network, citing likely additional cost implications rather than cost savings. It wants this decision reversed.
69. QPANI also cited "inadequate infrastructure and lack of investment in roads and public transport", while Tourism Ireland recognised that "investment in...the roads network, airports and sea passenger ports will be important" (in realising tourism growth) while it was "critical" that existing air and sea routes were sustained and new routes developed.
70. Action Renewables raised an issue that had not been highlighted by others: that of the struggle to develop the necessary waste management infrastructure to deal with the waste produced here – particularly in view of what the submission describes as the "proximity principle, enshrined in European legislation". The submission did not, however, define how this acted as an impediment to economic growth.
71. Mivan claimed that "process excellence" could only come if a number of factors were in place, and one of these was an "infrastructure that will support the needs of a modern manufacturing and service economy". Their submission went on to welcome the Investment Strategy for Northern Ireland (ISNI) and the £14bn programme (presumably meaning £16bn), but their understanding was that the programme "is not fully funded" and that, in the meantime, Northern Ireland is "falling rapidly behind the Republic in terms of communication and infrastructure".

Low rate of indigenous business start-up and difficulties with development and maintenance after start-up

72. ICLRD contended that the low start-up rate is caused by NI not competing sufficiently in the delivery of high level goods and services. It said that a stronger enterprise culture is necessary based on high level skills "to compete as a knowledge and service-based economy". Northbrook mentioned a lack of "serious" entrepreneurial activity as an impediment. Action

Renewables referred to the ‘brain drain’ being a self-perpetuating situation if there was no improved employer base.

73. Mivan said that Northern Ireland was “no longer an enterprising economy”, citing the particularly low level of business formation and growth, and quoting familiar statistics on the relative size of the 53,000 vat-registered businesses (89% with fewer than 10 people and only 0.6% employing more than 300).
74. Enterprise Northern Ireland (ENI) referred to enterprise and entrepreneurship as “key issues” and alluded to difficulties including the “stop-start” nature of support, absence of statutory responsibility for supporting locally focussed businesses, a concern that the “Start a Business” programme is due to end in 2008 and the absence of a NI-wide programme to support local businesses to develop, grow and export.

Underperformance in tourist industry

75. The Tourism Ireland (TI) submission did not directly address the issue of impediments to growth. Rather, having supplied information on “strong growth” in recent years, it listed the global challenges faced by the industry. Many of these are outside local control, although a trend towards shorter stays was identified as leading to a “shift from sea access to air access” which might have tie-ins to air-route development.
76. TI referred specifically to progress in delivery of the (5) ‘Signature Projects’ not having been “at the pace originally envisaged in all cases” and that this delay might result in a corresponding delay in the achievement of ambitious targets.
77. The Northern Ireland Tourist Board (NITB) noted that the trend in visitor numbers is upwards from 1.5m in 1995 to a peak of almost 2m in 2000. Revenue from visitors is up from £180m in 1994 to £357m in 2005. The tourist industry employs 51,000 people, which is almost 8% of all employment.
78. NITB was concerned about the loss of Peace II funding since March 2006 and the reprioritisation of resources by the International Fund for Ireland (IFI) away from tourism to the social economy. NITB argue that resources are better increased while tourism is on a growth curve.
79. The sub-group agreed that tourism is underperforming significantly against its potential for growth and by comparison with the UK and RoI. In Northern Ireland, tourism contributes approx 2% to GDP, compared with 6% - 7% in Scotland and the RoI. The sub-group agreed with NITB that there is significant room for improvement and that the public and private sectors need to increase investment in key signature projects.

Peripherality and small size of domestic market

80. Action Renewables’ submission referred to isolation, higher shipping costs (e.g. of renewable energy technologies) and the difficulty with self-sufficiency in terms of energy production.
81. The Business Alliance put it most succinctly in noting that “we are an island that is next to an island that is next to Europe, and that puts business at a disadvantage when competing in

a global economy. The emphasis should therefore be in reducing that geographical isolation through improved road, rail and air infrastructure.”

82. The Northern Ireland Manufacturing Focus Group (NIMFG) offered peripherality as the “prime impediment” citing limited local markets, high transport and energy costs and a limited skills base as “symptoms” of this peripherality.
83. NIMFG suggested that the ROI was “probably the most competitive location for fully mobile inward investment in Europe” and concluded that “competing with the Republic for investment projects on the basis of upfront support” was “costly and largely counter-productive”. NIMFG said that the current policy created the impression of a “subsidy hungry sector which damages the confidence of the sector and those who might work in it”.
84. The rural dimension of peripherality was addressed in a submission received from the Rural Development Council (RDC). The focus of this submission seems to be that rural development should be “seen as a cross-cutting theme of government” which should be “supported through a combination of mainstream rural development funding and enhanced rural proofing”. The latter approach, the submission hoped, would maximise accessibility to quality services.
85. The RDC submission referred to the DRD Regional Strategy and its recognition of the “need to increase the diversification of the rural economy to meet employment needs and keep wealth circulating within local economies”.

Conclusions

86. The sub-group agreed the following initial recommendations based on the evidence:
 - That the current level of public expenditure should be protected during a transitional period agreed with Treasury to allow competitive fiscal incentives and targeted investment to rebalance the economy towards high value-added FDI and indigenous companies.
 - That the Business Investment Programme budget is reviewed and additional resources made available to finance grant aid, targeted at businesses actively engaged in collaborative R&D activity with universities, multi-nationals and other partners.
 - That the role, structure and functions of Invest Northern Ireland be reviewed to determine if it is delivering effectively on its core objectives and is fit for purpose.
 - That investment in vocational training, skills and R&D activity in universities should be increased, an effective strategy developed to enhance knowledge transfer from applied R&D activity in commercially viable products and that FE college curricula should be better integrated with the needs of business and focused on areas where skill shortages are hampering future economic growth. The aim should be to create an enterprise culture in schools, including the primary sector.
 - That a “Knowledge Bank” for business should be established modelled on the National Assembly for Wales strategy document “Wales: A Vibrant Economy”.
 - That a dedicated post should be created in the Department of Education for a person to take overall responsibility for driving improvement in science education.

- That any savings that may be made from government efficiencies should be retained and used in Northern Ireland.
- That PfG recommends the centralisation of government responsibility for economic matters within a single department or agency. That all government departments work to agree a common strategy and vision in support of promoting economic growth and social partnership that is accountable to a restored Executive.
- That there needs to be a discussion with ministers on alternative uses for the £30m set aside for an energy subsidy.
- That detailed analysis is undertaken to identify economic opportunities through establishing effective clustering and collaboration with RoI on infrastructure development, R&D and skills training along designated economic corridors.
- That the planning process is reviewed and adequately resourced and effectively managed to reduce delays and to provide an enabling culture and an appropriate balance between the needs of the economy and the requirements for consultation. That the planning process is streamlined by setting end dates for consultation and focusing priority on approving area plans.
- That an implementation plan is developed and agreed across government departments and agencies that coordinates the delivery of various economic strategies and monitors performance against rigorous completion targets.
- That an urgent review should be undertaken of the most appropriate and effective structure for delivering urban and rural regeneration plans.
- All the parties on the sub-group accepted that failure to have all party agreement on the political institutions and policing will hinder and act as an impediment to business investment in Northern Ireland.
- That serious action is taken to eradicate organised crime and criminality, particularly where it impacts on business and acts as a serious impediment to economic stability and growth.

Section 2:

Fiscal Initiatives that may promote FDI and Indigenous Investment

General observations

87. The evidence universally supported the absolute need for a tailored fiscal environment to promote economic growth. While there were differences in emphasis between witnesses on the relative importance of particular fiscal measures, the conclusion reached was the same - that Northern Ireland could not hope to rebalance its economy to close the wealth gap without an agreed package of incentives.
88. The sub-group recognises that fiscal incentives alone will not do the trick. Fiscal change must be supported by improved delivery mechanisms against existing infrastructure investment plans, co-ordinated government action on education to promote higher levels of basic literacy and numeracy and a skills strategy that is developed in partnership with business.
89. Northbrook Technologies sought a more straightforward, less bureaucratic approach to economic incentives offered to growing businesses, and suggested that the same rules should apply to growing indigenous businesses as apply to FDI. Mivan, as a “general principle” believed that “the greatest fiscal incentives are those that encourage and reward investment in the key drivers of economic growth – R&D and innovation, marketing and training”. Mivan believed that offering substantial (but simple and transparent) tax incentives or tax credits will encourage investment from both FDI and indigenous industry.
90. The Business Alliance suggested that “forthcoming negotiations” offered a “unique opportunity to secure an ‘economic package’ which can create a stronger, more balanced and sustainable economy.” Among the suggested elements of a package was a series of fiscal/tax incentives (paragraphs 25-30 of the their submission on pages 160-161 of Volume 3) which include virtually all of those possibilities discussed below, and added the “removal of the Climate Change Levy” (CCL) as part of a general reduction in companies’ costs. Significantly, however, the Business Alliance suggested that a “comprehensive and independent study should be undertaken to assess the merits and the short/medium/longer term impacts of each of these fiscal incentives.”
91. Information received from DFP on current tax concessions within Northern Ireland referred to an exemption from CCL for gas consumers in Northern Ireland. The sub-group believes that the current and historical derogations from both the CCL, the Aggregates tax levy and the capital grants package included in the Chancellor’s Initiative in 1998 establishes a precedent for further tax concessions, particularly given that peripherality, the absence of a levy in ROI and the proximity of southern aggregates processors were all factors that were taken into consideration by the UK government in agreeing to these derogations.

Corporation Tax (CT)

92. A passionate case for reducing the level of CT to compete with the RoI has been made by the Industrial Task Force (ITF). This was supported in part by ERINI who noted that this proposal was the “only big idea in town”. The ITF argue that harmonisation would create a strong economic cluster over the whole island better able to pick up FDI that might not locate in RoI for reasons other than tax, i.e. high cost base and skills shortages. ERINI has been commissioned by DETI to undertake a study into the potential benefits of reducing CT. Results will not be available until October. **The sub-group considered it prudent not to pre-empt the results, but has recommended that these are made available to PfG and the sub-group to inform deliberations on the fiscal options necessary to promote FDI and indigenous business.**
93. Business representatives and other witnesses concur that something needs to be done to create a competitive fiscal environment to attract FDI and promote indigenous growth, but many recognise that this needs to be tackled across a broader base to manage a rebalancing of the economy from public to private sector growth of high value-added, high productivity companies. Mivan recommends the need for robust independent research to inform whichever recommendation is made on preferred fiscal incentives.
94. John Simpson did not advocate a single simple solution but encouraged a managed transition, maintaining public expenditure levels while working to improve delivery of strategies, infrastructure and education improvements linked to business needs.
95. Graham Gudgin wrote in Fortnight magazine (May’06) that harmonisation with RoI might halve total revenue from profits and cost the Treasury approx £300m pa in additional subvention. Graham Gudgin notes that an offsetting tax increase in NI may be required and the Chancellor may be more receptive if the Executive agrees to an equivalent reduction in its £15bn public spending bill. Such an offer would have difficult consequences for services and cuts across advice given by witnesses on the need to maintain current levels of public expenditure (PE). It should be noted that the benefits RoI has achieved through lower CT were bought through years of high personal taxation, wage constraint and limited investment in infrastructure. RoI was also well placed to take advantage of the technological revolution during the 1990’s and this historical serendipity is unlikely to happen again. Evidence from DFP indicated that, after taking into account the real corporation tax burden on SMEs of 19%, the estimated cost of reducing corporation tax to 9% was between £70-90 million.
96. Other witnesses have expressed preferences for increased R&D tax credits and grants. Grants appear to be particularly attractive to SMEs because they are easier to understand and less bureaucratic to obtain. The US government’s recent decision to offer a temporary low tax rate on repatriated profits prompted huge inflows of money that previously would have been reinvested elsewhere. This is another negative variable that needs to be taken into account with this option.
97. The Construction Employers Federation (CEF) supported the view that a reduced rate of corporation tax would “act as a significant incentive” for investment, citing a disadvantage compared to the Republic of Ireland. The Quarry Products Association (QPANI) identified the “absence of a competitive tax regime with the Irish Republic” as a barrier and sought “competitive tax rates”. The International Centre for Local and Regional Development

(ICLRD) advocated a “level playing field in the rates of corporation tax to facilitate/attract the flow of inward investment”.

98. Mivan cautioned that debate on the harmonisation of corporation tax with ROI may have been at “a superficial level” and that it would benefit from “rigorous and robust independent economic research”. Mivan quoted a number of papers, one of which suggested that low corporation tax was “of limited value in stimulating an indigenous, small-firms economy”, as it was most relevant where businesses are already profitable.
99. The NI Manufacturing Focus Group reckoned that the “key for inward investment” was a “rapprochement with the corresponding mechanisms in the Republic”. NIMFG said this “should be achievable at lower cost” but did not elaborate on how this might be achievable.
100. Information supplied by DETI confirmed previously-given evidence that companies with profit levels below £300,000 per annum pay a reduced corporation tax rate of 19%. The sub-group noted that the real level of tax in Northern Ireland was much lower than the headline CT but that the overwhelming view of witnesses from both the private, public and voluntary sectors was that this had only a marginal impact in securing additional FDI and in promoting indigenous businesses.
101. The sub-group noted the supplementary material supplied by Sir George Quigley, Chair of the Industrial Task Force, which included details of special tax arrangements in the Canaries and in Madeira. Sir George argued that the detailed arrangements are less important than the principle of variation from the tax arrangements in Spain and Portugal respectively. The additional submission referred to the “much larger flow” of FDI that would be stimulated by a “competitive corporation tax rate” and how this would make a contribution to “enlargement of opportunity for all”.

R&D Tax Credits

102. In his report ‘*Assessing the Case for a Higher Rate of R&D Tax Credits in Northern Ireland*,’ submitted to ERINI in January 2006, Professor Richard Harris has concluded that a doubling of R&D tax credits would lead to increased R&D activity and feed through to improved value added and profitability. This report is currently being considered by Treasury, DFP and DETI. The lead-in time is perhaps 6-7 years and the effect may be relatively modest in terms of projected improvements in productivity. This reflects the current low levels of R&D activity, the inability of SMEs to absorb the benefits of such activity and the structure of the NI economy. Victor Hewitt, Director of ERINI, emphasised the importance of developing business collaborations between companies and with universities as a more effective means to get companies involved in R&D as opposed to grants and tax credits. In this respect, he focused on the need for a financial package to boost the university sector. Only 24% of companies involved in R&D currently take advantage of tax credits.
103. An ERINI statement following Professor Harris’ paper recommends that the “debate needs to continue” on the best instruments to achieve an objective of educating and equipping companies to reap the benefits of R&D. It also advised that “sophisticated analysis” is needed to “get behind the figures”.

104. A number of witnesses noted the potential benefits of increased R&D in promoting high value added business e.g. life sciences, agrifoods and renewable energy. The costs of this option are relatively modest - approximately £10m if the tax credits are doubled. INI advised that although effective tax rates are closer to the RoI headline rate of CT they are not close enough to make a difference. INI also advised that higher tax credits, while not transformational, would encourage innovation but must be allied with grants and expertise. Professor Harris concluded that private sector R&D spend would be even lower without public money.
105. The Professor Harris paper estimated the effect of doubling the current tax credit for large firms from 25% to 50% and SME credits from 50% to 100% (see research report page 140). These effects were quantified as a rise in manufacturing output of between 1.4% and 3.8%.
106. DETI has estimated a net cost to the Exchequer (i.e. after increased corporation tax revenue is included) of £10m of such a move, but highlights the hidden benefits, which include greater innovation and rising exporting/internationalisation.
107. The sub-group noted (on page 141 of the Professor Harris report) that uptake of the existing tax credit was very low - only 24% of firms undertaking R&D have applied. Professor Harris concluded that firms were either unaware of their eligibility or thought it not worth applying for. Oral evidence suggested the latter to be the case. Professor Harris reported (also page 141) that, in the research survey, when firms were asked about the most effective incentives that the public sector could provide to encourage a higher level of R&D activity, only 3% of firms opted for R&D tax credits.

Grants

108. ERINI and business representatives have noted a preference for grants to tax credits among local indigenous companies. This preference is because grants are paid up front and remove some of the risk associated with investment in R&D activity i.e. tax credits are only available if profits are made or expenditure is incurred.
109. The sub-group supports INI's case for an increased programme budget to award grants. Professor Harris' study noted that R&D companies preferred grants to tax credits. The Business Alliance supports the need for a targeted fiscal package and notes that grant aid available to business is to be reduced under new EU state rules. However Business Alliance recommends a cocktail of measures that may be impossible to secure i.e. reduced CT, targeted tax credits on R&D, marketing and training, allied to the reintroduction of the Chancellor's 5 year capital grant programme, reduced fuel duty, removing the climate levy and the creation of an enterprise zone to stimulate urban regeneration.

Rates relief – lowering business costs

110. Moy Park and Wrightbus argued the case for capping industrial rates at 25% and presented figures on costs and the negative impact of increasing rates on investment decisions and R&D activity. Wrightbus noted that the nature of its business was space intensive and that it attracted an additional rates burden simply because of the extent of its buildings and plant. This argument found favour with the Construction Employers Federation and the Quarry Products Association. Not unexpectedly, the Freight Transport Association called for

harmonisation on fuel duty, suggesting that tax revenue might increase through the demise of fuel smuggling and the growth of local businesses.

111. The CEF acknowledged that historical under-investment in infrastructure was being addressed “in part” through the Reinvestment and Reform Initiative (RRI) and the Investment Strategy for NI (ISNI). However, in noting the revenue streams required to service the borrowing required for this investment, the CEF argued that cushioning the impact of the introduction of water charges, at least in part, “would be of significant benefit to the local economy”.
112. The Freight Transport Association (FTA) suggested that harmonisation of fuel duty would “help to keep operational costs down” and contribute towards making NI an “attractive place to do business”. The FTA added information about the cost of legal sourcing and illegal smuggling of fuel and suggested the “proper control of licensing for fuel suppliers and retailers”.
113. The NI Manufacturing Focus Group referred to “relief from full rates” as the key fiscal incentive needed, suggesting that de-rating was poorly understood by government and that its phasing out was based on a “fundamental misunderstanding” of the role and value of de-rating.

Zoning

114. UUTech suggested that a geographical focus for FDI has had successes, with companies rewarded for locating business within a zone through direct financial incentives and a highly competitive tax rate. UUTech also advocated special zoning where incentives would be applicable to indigenous companies partnering multinational businesses, to encourage sustainability and “scale-up”. UUTech further advocated that any new initiative for FDI needs to be “bold and unequivocal” and that after a strategy is developed, target companies should be “courted aggressively”.
115. Zoning (or at least a geographical approach) may also be inferred from ICLRD’s call to target incentives towards deprived areas such as the West and North West (while enhancing infrastructure investment there). It also suggests that investment should be concentrated on a limited number of areas including “Growth Centres” (also described as “Strategic Employment Locations”). ICLRD also wanted to see the promotion of regional specialisation or development of innovation hotspots, knowledge clusters and centres of excellence, in order to facilitate investment growth in R&D.

Cross-border incentives

116. ICLRD contended that there should be cross-border innovation networks linked to both FDI and indigenous growth initiatives, and that there should be joint grants/incentive packages established with representative agencies (e.g. InterTradeIreland).
117. InterTradeIreland forwarded information on the trade flows between Northern Ireland and ROI showing a greater increase in North to South manufacturing trade than South to North. The sub-group accepted the general InterTradeIreland precept that there are no economic borders in the global market and that, where possible, all practical initiatives should be explored to examine the mutual benefits of enhanced collaboration and market exploitation through clustering and improved all-island infrastructure links.

Loans and Public Private Partnerships (PPPs)

118. The Strategic Investment Board (SIB) and INI drew attention to the significant contribution that PPPs make to the scale and efficiency of infrastructure investment and the savings that can accrue, compared to projected costs, if projects were funded through public expenditure (PE). There may be some scope to reduce PE through engaging more actively in partnership with the private sector. Such an approach could be developed to more effectively promote local business through a more SME friendly procurement process. A new Executive's willingness to explore this might secure a more sympathetic response from Treasury to costed fiscal incentives as part of a targeted time-bound initiative. Evidence from many witnesses suggests that there are considerable opportunities for economic growth in a range of areas if finance and entrepreneurship were available.
119. SIB noted that the Reinvestment and Reform Initiative (RRI) has secured finance at competitive rates from banks including the European Investment Bank. Future loans for infrastructure projects are under discussion. As a fiscal incentive it should be noted that the loans have to be repaid from local rates revenue.

Views of the Political Parties

120. The sub-group heard presentations from the 5 political parties on their preferred mix of fiscal measures (Appendix 4, section 4). These views are summarised below and are not presented as recommendations of the sub-group.
121. The Alliance Party notes that the Treasury will need to have a convincing case on varying corporation tax and that the circumstances under which the RoI successfully reduced its tax level do not apply in Northern Ireland. The Alliance Party supports the need for further research to cost and develop a case for consideration by Treasury.
122. The Alliance Party would support abolishing the regional rate, replacing it with a local income tax based on the ability to pay. Specifically, the Alliance Party supports business taxes that reflect profitability levels, number of employees and the need to stimulate local economic growth. e.g. tax reductions for SMEs with less than 3 years trading, tax zoning to economically disadvantaged areas, tax credits to encourage exports and promote the development of business and R&D clusters.
123. The DUP supports a reduction of corporation tax below 12.5%, or alternatively a cocktail of fiscal measures that provides a competitive edge over the RoI. This might include tax credits for firms engaged in R&D, training and marketing activities multiplied by a factor of 3 to arrive at a competitive real tax level.
124. The DUP supports the re-introduction of the 100% capital allowances applied in the Chancellor's Initiative for plant, machinery and computer software.
125. Sinn Féin supports a cocktail of targeted fiscal incentives to increase R&D activity to aid new product and process innovation and expansion into new markets. Sinn Féin notes that an all-island tax regime would avoid anomalies in VAT.

126. The SDLP supports increased R&D tax credits, rate relief as an offset against R&D, training, marketing activity and cross-border business initiatives, and a possible small firms loan guarantee scheme regulated by government and supported by a consortium of banks.
127. The SDLP supports the creation of a new Enterprise Growth Fund comprising a loan fund and an equity fund applied to promote an increased number of business start-ups and social economy enterprises built around the Enterprise Ireland model.
128. The UUPAG shares the common view that fiscal measures alone will not significantly alter the economic climate. The UUPAG supports the need to examine carefully the potential advantages of reducing corporation tax to a competitive level with the RoI.
129. A number of tax initiatives are recommended including introducing a small business rate relief scheme similar to Scotland, capping industrial rates at 25%, reducing the level of fuel-duty and increasing tax credits on R&D activity, allied to a more streamlined system and better engagement by government agencies with SMEs. The UUPAG notes that the Director of ERINI, Victor Hewitt, said in evidence that reducing the level of corporation tax was the “only big idea in town.”
130. The Ulster Unionist position on this is qualified in its oral/written submissions to the sub-group. However whilst the Ulster Unionist Party is supportive of sensible, practical economic co-operation between Northern Ireland and the Irish Republic, it would not support co-operation that undermines Northern Ireland’s competitive position or agree to co-operation in a way that neglects the fact that both economies are an integral part of the British Isles economy.
131. The UUPAG argues that the focus of ongoing deliberations should be aimed at helping all democrats restore devolution and prepare for Government. Therefore, the Ulster Unionist Party wishes to go on record by saying that whilst co-operation can be beneficial between the two jurisdictions, it must be driven by purely economic reasons.
132. The UUPAG contests that perhaps unwittingly, or perhaps not, some people are prepared to exploit economic co-operation for entirely political reasons. The UUPAG would draw attention to an agreement following the British-Irish Intergovernmental conference on the 25th July past, which committed the two Governments to the following.
 - “pooling resources in trade promotion – specifically opening all trade missions to companies across the island”
 - “an all-island approach to labour market skills forecasting”
 - “a new all-island approach to international collaboration in science and technology – including taking advantage of EU funds”
 - “an all-island approach to business development through knowledge exchange”
 - “a comprehensive and ambitious” final report on the “all-island economy”
133. UUPAG refers to Sir Tony O’Reilly who has said that “A standard rate of 12.5% corporation tax throughout the island of Ireland would aid in creating an Ireland unified.” Sir Tony goes on to say “If you can unite Ireland from a tax point of view at 12.5% for the whole island – you will move Ireland a large way to self-formal communification.” This word

“communication” is new to unionists. Therefore with the O’Reilly interview and the British-Irish agreement on our economic future in mind, the UUPAG strongly points out that whilst it supports a competitive tax regime for Northern Ireland businesses, policy initiatives in this regard must be made solely on sound economic grounds, free from, and not on the basis of, partisan political aspirations.

134. UUPAG does not support an all-Ireland harmonisation on corporation tax, and argues that there would also be difficulties in practising co-operation and competitiveness at the same time and level. The Ulster Unionist Party believes it is appropriate that the sub-group advises the PfG Committee in its report, that tax incentives such as corporation tax and tax credits should be argued for on merit and as stand alone issues, and not capitalised on for exploitation by some people following a political agenda outside Northern Ireland’s best interests inside the United Kingdom.

Conclusions

135. The sub-group recognises that a range of potential fiscal measures and combinations has been suggested. There are alternative views on what would be the most effective combination though important research work by ERINI is nearing completion on the economic impact of FDI.
136. **The sub-group noted that from the current evidence it was clear that a low rate of corporation tax was a major driver in RoI economic success through promoting inward investment and that there have been problems in practice with the use of tax credits in Northern Ireland. The sub-group agrees that it would be appropriate to reflect on the outcome of the ERINI research and recommends that:**
- **The ERINI study on the impact of FDI should be copied to PfG and the economic sub-group to inform deliberations on fiscal options necessary to promote FDI and indigenous business;**
 - **PfG request that DETI commission an independent study into the relative economic benefits and comparative costs of a range of fiscal measures including: reform of corporation tax to create a competitive headline rate, increased R&D tax credits based on the work of Professor Harris, improved grant aid including a substantial increase to the Business Investment budget and the possible reintroduction of the Chancellor’s Initiative on capital grants, reformed fuel-duty levels to reduce the transport costs of business and undermine the smuggling of fuel that promotes crime and ultimately reduces tax revenue, and the capping of industrial rates and/or the introduction of a small business rate relief scheme. The study should examine the relative benefits and costs of each individual option and identify the combination that maximises FDI and indigenous business growth;**
 - **The study, as a matter of urgency, should address the following questions:**
 - **Any costs in terms of revenue foregone?**
 - **Longer term impact on tax revenue as investment rises?**
 - **How far is investment in established firms sensitive to rates of post-tax profitability?**

- **How far is the level of FDI determined by rates of business taxation and how far by other factors (such as availability of skilled labour, the science base, English language availability and extent of business regulation)?**

137. **PfG should set new terms of reference for the economic sub-group to:**

- **Consider the results of the ERINI research and the commissioned DETI study into the fiscal options to prepare a costed case for consideration by a restored Executive and the Treasury; and**
- **Consider and report on measures required to develop an integrated skills and education strategy capable of meeting the current and future needs of the economy and based on best practice elsewhere.**

If an extended mandate is agreed by PfG, its approval is sought to temporarily contract an economist(s) as a special advisor to provide expert insight and advice on the sub-group's work and to assist in the preparation of a further report to PfG.

Section 3:

How other matters including an economic package/peace dividend could contribute to economic regeneration and how this might be delivered

138. The sub-group noted that the Economic Development Forum (EDF) has adopted the Economic Vision for NI (EVNI). Four “Vision sub-groups” have been reporting on the four agreed drivers of economic growth i.e. Innovation, Enterprise, Skills and Infrastructure. These sub-groups have developed an agenda of key issues to advance the NI economy.
139. The most recent reports of each of these Vision sub-groups were submitted by DETI. Given that evidence has been taken from a number of the organisations and government departments involved in the Forum, the issues contained in the reports are familiar, and some are highlighted below.
140. The economic sub-group welcomed evidence that the EDF is prepared to look beyond policy headlines and to challenge, and be constructively critical about, the policy’s delivery by a government department. For example, the ‘Skills’ sub-group welcomed the “close correlation” between DEL’s ‘Skills Strategy’ and the EDF vision on skills development, and that the strategy “provided a comprehensive and coherent roadmap for the way forward”. However, the EDF sub-group sought and obtained clarity around the budget allocation within this Strategy, and the Skills sub-group’s report highlighted four major concerns, including a view that there was a need for better linkages between the strategic intent of funding, areas for funding and impact/outcomes of funding. The Skills sub-group suggested that the funding picture was one of an historical allocation of resources rather than a planned approach to the development of tasks and activities based on the delivery of strategic priorities. Their conclusion was that the current funding profile ran the risk of not delivering the strategic intent of the Department’s Skills Strategy.
141. The Preparation for Government Committee sub-group accepts that the evidence from witnesses endorses the four drivers identified in the Economic Vision. **The sub-group welcomes recent efforts by EDF to consult with local political parties and recommends that this political interaction should continue and be expanded to include a wider spectrum of interested organisations with a stake in the future of the Northern Ireland economy.**
142. In relation to the peace dividend, Mivan’s submission referred to an agreement among the Business Alliance and the 5 main political parties about an assessment of the NI economy and the need for a peace dividend. Mivan’s Chief Executive endorsed this agreement, as well as the Business Alliance’s presentation to the Assembly on 16 May 2006.

143. The sub-group recognises that it is important to present PfG with a common set of agreed principles on a package supported by convincing, rather than aspirational, arguments.
144. Evidence provided by witnesses has concentrated on the need for increased and targeted investment in existing strategies (Economic Vision, Skills Strategy including lifelong learning and vocational/technical skills through the FE sector and improved resources for R&D activity and knowledge transfer from universities etc.), the Business Investment budget, “sunrise” industries such as healthcare, biotechnology, nanotechnology rather than presenting this in terms of a projected total quantum.
145. Witnesses have suggested that a targeted and time-bound set of fiscal incentives would be an excellent economic package if allied to increased investment in improving skills, basic educational standards and innovation. It has been suggested that convincing Treasury will require a willingness to consider savings elsewhere and the case must be informed by researched figures and arguments. The Industrial Task Force claim that the Prime Minister and Treasury have not ruled out the prospect of a corporation tax cut, providing a case for it can be made.
146. **The sub-group agrees that the unacceptable rate of economic inactivity could be targeted by increased return to work credits through DEL, informed by research to assess the level of credit required to take people out of benefits. This would require a reintroduction of the Chancellor’s Initiative Skills Fund.** The sub-group believes that useful lessons could be learnt from partnership projects in RoI (e.g. the Northside Partnership) where individual plans are developed to get people back to work after an assessment of their social security benefits and skill levels.
147. ERINI and INI emphasised the virtue of targeted, but relatively small-scale, budgetary increases used to oil the transition to a more balanced economy. The sub-group has been made aware of £30m initially earmarked for an energy subsidy but frustrated by EU competition rules. The sub-group has recommended that discussions with ministers should identify an immediate alternative use for this funding.
148. The Ulster Farmers Union said that financial assistance to restructure the farming industry has been funded in the RoI and should form part of any economic package.
149. Political considerations aside, witnesses have offered clear evidence of mutual economic benefit through engaging and collaborating with the RoI to maximise economies of scale and to rationalise infrastructure planning and economic strategies, skills development and R&D activity. Intra-island trade is underdeveloped and there is scope to market the advantages of locating in NI e.g. people, infrastructure and broadband coverage. Additional resources to identify and fund practical collaboration on a project by project base might form part of an economic package.
150. The evidence from witnesses highlighted a range of areas where an economic package might be targeted. The following is a summary of these suggestions and is not exhaustive.
 - **Skills deficit (etc.):** The report of the ‘Skills’ Vision sub-group of the EDF is significant in this area – particularly in the sense that a vision and priorities have already been identified by representatives of those closest to the skills gap to address impediments to

economic development. The Business Alliance “strongly supports the Skills Strategy developed by DEL” but warns that it must be properly resourced. The Business Alliance identifies a number of areas (see paragraph 38 of their submission) where “additional funding” is required to ensure the implementation of the Strategy, citing a need for an additional £38m to address the skills deficiencies in these areas.

- **Youth groups:** The sub-group noted that the Youth Council for Northern Ireland highlighted its view that the 190,000 young people in membership of youth organisations acquire knowledge, skills and attitudes, which improve their employability and enhance the economy. This is an area where an economic package could be used to target skills development.
- **Transport:** The FTA suggested that an “attractive career path in transport and logistics” should be developed and well presented to educational establishments “as soon as possible”. The FTA reported that no funding is available in NI, whereas there is funding in GB.
- **Knowledge Bank:** Northbrook Technologies firmly advocated a strategy of developing large quantities of graduates with the appropriate skills to attract FDI, rather than “reacting to serendipitous FDI in this sector with remedial skills training”.
- **Renewable energy skills:** Action Renewables referred to the development of a “major renewable energy skills initiative called the Renewable Energy Installer Academy” which it has “developed in partnership with SEI in ROI”.
- **Infrastructure deficit:** The Business Alliance submission welcomes the ISNI, but warns that investments must be affordable and not add an excessive burden to rate-payers in future. In view of the “more significant deficit” compared with other regions, the Business Alliance suggests that there is an “opportunity to seek a one-off contribution to the infrastructure deficit from the UK government”. Specifically, the Business Alliance refers to a shortfall of £100m over 10 years on roads priority projects, and the shortfall from the £90m said to be necessary for roads maintenance. Investment in public transport is also recommended.
- **Renewable energy:** The submission from Action Renewables highlighted the funds already available for investment (totalling £59.2m), including R&D specific opportunities, and also explained the potential within Northern Ireland for R&D in the areas of marine technologies, biomass technologies and ‘Energy from Waste’.
- **Centres of Excellence and technology transfer:** The EDF’s Innovation sub-group in a recent report to the EDF plenary identified opportunities for potential areas for provision of additional resources (e.g. ‘Centres of Excellence’ and nanotechnology). Details were included of a fund where the objective is to “increase the technology transfer capability of both universities and colleges to respond to the needs of business” (especially SMEs) and the sub-group reported its preference for expenditure directed towards providing “business face resource in FE Colleges”. Funded activities are expected to begin in April 2007.
- **New technologies, universities and clustering:** University representatives highlighted the need to fund PhD students in 5 key technical areas including nanotechnology. The EDF sub-group raised concerns over an apparent lack of a declared strategy towards the

economy on the part of the Universities involved and has sought information on initiatives, targeted outcomes and budget priorities. UUTech Ltd. also called for a “sharp focus on strategic imperatives in new technology” which should “be developed and aggressively funded”. Specifically mentioned were Nano-tech, medical devices, bio-tech and bio-informatics, while UUTech called for tolerance of mistakes which will be made. UUTech also suggested that businesses may cluster around industrial/research complexes and that clustering needs to be better understood. Finally, UUTech suggested that as part of an economic package, companies investing in, and locating, R&D operations should be given greater reward than other business types. Specifically, UUTech advocated a pilot “Special Economic Zone” where a range of rewards is available to projects with “a defined proportion of R&D output”, with greater rewards for fostering local partnership.

- **Urban regeneration:** The ICLRD submission makes interesting reference to the community interface areas of larger urban settlements being a “significant challenge in addressing the social problems and negative perceptions in order to secure new inward investment”. The submission lists areas where ICLRD believes support will be required and suggests that there will need to be “innovative strategies and policy development” which will link the social dimension to economic restructuring”.

Views of the political parties

151. The presentations by the 5 parties represented on the sub-group are listed at Appendix 4, section 4.
152. The Alliance Party representatives identified significant investment needs in the following areas:
 - Development of a Green Economy (sustainable development);
 - Training and Education;
 - Quality public transport and strategic transport routes;
 - Common civic space; and
 - Tackling social exclusion.
153. The DUP concentrated on measures to address the fundamental issues of a competitive fiscal environment, encouraging entrepreneurship, education and skills strategy, R&D incentives and improving performance in core industries such as tourism.
154. Sinn Féin supports a significant investment to address the infrastructure deficit during years of conflict, to eliminate regional disparities and to advance the equality agenda. Funding to support the development of an all-island economic development strategy, maximising synergy and benefiting from economies of scale is advocated. Sinn Féin argues for a major peace dividend so that local ministers can deliver a programme focussed on stability and growth and eliminate regional disparities. Sinn Féin have listed specific economic development package proposals in their presentation at Appendix 4, section 4.
155. The SDLP submitted a paper rehearsing the party’s views on the preferred ingredients of an economic package as part of an agreed peace dividend. The paper included a range of

investment, structural, fiscal and all-island organisational and strategic proposals around the 3 headings of “Infrastructure and balanced regional development”, “Creating jobs”, and “Soft infrastructure and barriers to growth”.

156. The UUPAG supported additional measures to address the infrastructure deficit, particularly the road and public transport network. Support is offered for enhanced investment in energy conservation measures and technologies on both business and environmental grounds; the development of a strategy for the manufacturing sector; measures to address the skills deficit; and the creation of a knowledge bank and enterprise zones for high-growth industry clusters.

Conclusions

157. The sub-group recognised the importance of developing a consensus on the general areas where an economic package should be targeted. It was agreed that discussion on the details and quantum involved should be part of the forthcoming political negotiations with governments.
158. The sub-group would not accept that the £16bn figure referred to by the Secretary of State should be considered part of an economic package essential in supporting the programme of economic regeneration that will have to be addressed by a restored Executive. The sub-group would have strong reservations, based on the evidence provided by departments, that the infrastructure investment package amounts to no more than £13-14bn.
159. **The sub-group took into consideration the evidence submitted by witnesses and recommends that an economic package should focus on the following 4 key areas:**
- **Community regeneration (urban and rural);**
 - **Infrastructure;**
 - **Education and skills; and**
 - **A cocktail of fiscal incentives capable of attracting FDI and encouraging the growth of high value-added indigenous companies.**

List of Abbreviations

AES	Accelerated Entrepreneurship Strategy
CCL	Climate Change Levy
CEF	Construction Employers Federation
DE	Department of Education
DEL	Department for Employment and Learning
DETI	Department of Enterprise, Trade and Investment
DFP	Department of Finance and Personnel
DoE	Department of the Environment
EDF	Economic Development Forum
EREF	Environment and Renewable Energy Fund
ERINI	Economic Research Institute of Northern Ireland
EVNI	Economic Vision for Northern Ireland
FDI	Foreign Direct Investment
FE	Further Education
FTA	Freight Transport Association
GDP	Gross Domestic Product
GVA	Gross Value Added
ICLRD	International Centre for Local and Regional Development
IDA Ireland	Industrial Development Agency Ireland
INI	Invest Northern Ireland
ISNI	Investment Strategy for Northern Ireland
PFG	Preparation for Government Committee
QPANI	Quarry Products Association NI
R&D	Research and Development
RTS	Regional Transportation Strategy
RPA	Review of Public Administration
SIB	Strategic Investment Board
SME	Small and Medium Enterprises
TI	Tourism Ireland
UUOIE	University of Ulster Office of Innovation and Enterprise

Appendix 1

Part 1: Minutes of Proceedings relating to the Report

Thursday, 20 July 2006 in Room 135, Parliament Buildings.

In the Chair: Francie Molloy

Present: Dr Esmond Birnie
Dr Sean Farren
David Ford
Michelle Gildernew MP
Barry McElduff
David McNarry
Sean Neeson
Ian Paisley Jnr
Margaret Ritchie
Peter Weir

In Attendance: Cathie White (Clerk)
Roisin Donnelly (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Peter Gilleece (Senior Researcher)

The meeting commenced at 10.00am

1. **Apologies**

Dr McDonnell MP (Dr Farren attended the meeting as SDLP representative in place of Dr McDonnell MP)

Mr McLaughlin (Mr McElduff attended the meeting as Sinn Féin representative in place of Mr McLaughlin)

2. **Welcome and Introductions**

It was agreed that the meeting would continue in closed session and that the proceedings of the sub-group would be recorded by Hansard.

The Chairperson welcomed members to the first meeting of the sub-group and introduced the sub-group support staff.

3. **Sub-group Procedures and Terms of Reference**

Members noted the Procedures and Terms of Reference for the sub-group.

It was agreed that the sub-group would meet on a twice weekly basis (on Tuesdays and Thursdays) at 10am.

It was agreed that evidence sessions would be held in public session unless otherwise requested by the witness.

4. Declaration of interests

The Chairperson reminded members that under Standing Order 20(d) ‘Before taking part in any debate or proceeding of the Assembly, a member shall declare any interest, financial or otherwise, which is relevant to that debate or proceeding, where such interest is held by the member or an immediate relative.’ Members were advised that ‘proceeding’ of the Assembly includes meetings of the sub-group.

5. Privilege

The Chairperson advised members that under paragraph 6 of schedule 1 of the Northern Ireland Act 2006 ‘a written or oral statement made by a member in or for the purposes of the Assembly is to be privileged from action for defamation unless it is proved to have been made with malice.’ This privilege also extends to meetings of the sub-group. Members were asked to note that privilege does not extend to press conferences or statements made to the press.

6. Briefing Papers

Following a short presentation by Dr Gilleece on his briefing paper on ‘Issues Affecting the Economy in Northern Ireland’, members put forward their views on the economic challenges facing Northern Ireland.

Mr Ford left the meeting at 10.30am

7. Evidence Sessions

An initial list of witnesses was reviewed and it was agreed that where possible witnesses should be invited to forward a written submission for the consideration of the sub-group, which may be followed up with an evidence session.

8. Draft Work Programme

A draft work programme for the sub-group was agreed subject to minor amendment. Witnesses for the next two meetings of the sub-group were agreed.

9. Any Other Business

It was agreed that the draft press release on the first meeting of the sub-group should be released subject to minor amendment.

The chairperson advised members that the other chair can attend the meetings of the sub-group as an observer.

Mr Neeson joined the meeting at 11.50am

10. **Next Meeting**

The next meeting of the sub-group was arranged for Tuesday 25 July at 10.00 am.

The meeting adjourned at 11.53am

Tuesday, 25 July 2006 in Room 135, Parliament Buildings.

In the Chair: Francie Molloy

Present: Dr Esmond Birnie
Diane Dodds
Dr Sean Farren
David Ford
Michelle Gildernew MP
Mitchel McLaughlin
David McNarry
Sean Neeson
Edwin Poots
Margaret Ritchie

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Paul Stitt (Clerical Supervisor)
Dr Peter Gilleece (Assembly Research)

The meeting commenced at 10.07am.

1. **Apologies**

Dr Alasdair McDonnell MP (Dr Farren attended the meeting as SDLP representative in place of Dr McDonnell MP).

Mr Ian Paisley Jnr (Mrs Dodds attended the meeting as DUP representative in place of Mr Paisley Jnr).

Mr Peter Weir (Mr Poots attended the meeting as DUP representative in place of Mr Weir).

2. **Draft Minutes of Meeting on 20 July 2006**

These were agreed for publication on the Assembly's website.

3. **Matters Arising**

Members considered a response from the Economic Development Forum, stating their view that, as an umbrella group, it was not appropriate for the Forum to give evidence as many of their individual members were to be asked to meet with the sub-group.

Members agreed that they still wished to call the Forum to give evidence and agreed that the Chairman should write to the Forum to determine whether they would be prepared to do so.

Mr Poots joined the meeting at 10.25am.

With regard to privilege, the Chairman confirmed that, under paragraph 6 of the Northern Ireland Act 2006, ‘*a written or oral statement made by a member in, or for, the purposes of the Assembly is to be privileged from action for defamation unless it is proved to have been made with malice.*’

The Chairman stated that written or oral statements made by members during meetings of Assembly Committees or sub-groups were included in the term ‘*for the purposes of the Assembly.*’

Members noted that privilege did not extend to witnesses.

Members noted that any amendments to the draft transcript of the first meeting on 20 July 2006 should be sent to the Assistant Clerk by close of play on Wednesday 26 July 2006.

4. Revised Work Programme

Members considered a revised work programme of evidence sessions and noted that a draft report would need to be agreed by Thursday 17 August to allow the sub-group to meet the deadline for submission to the Preparation for Government Committee.

Members agreed a further list of organisations that would be invited to give oral evidence and a list of organisations that would be asked to make written submissions.

5. Evidence Sessions

Mrs Dodds joined the meeting at 10.45am.

Mr Ford left the meeting at 10.55am.

Mrs Gildernew joined the meeting at 11.10am.

Mr Ford joined the meeting at 11.25am.

The sub-group took evidence from the Northern Ireland Business Alliance (including representatives from the Confederation of British Industries, the Institute of Directors, the Chamber of Commerce and the Centre for Competitiveness).

The sub-group took evidence from the Federation of Small Businesses.

The meeting was suspended at 1.05pm.

Mrs Dodds, Mr Neeson and Mr Poots left the meeting at 1.05pm.

The meeting was reconvened at 1.25pm.

The sub-group took evidence from IntertradeIreland.

6. **Any Other Business**

Members agreed a draft press release for issue.

7. **Next Meeting**

The next meeting of the sub-group was arranged for Thursday 27 July at 10.00 am.

The meeting adjourned at 2.50pm.

Thursday, 27 July 2006 in Room 135, Parliament Buildings.

In the Chair: Jim Wells

Present: Roy Beggs Jnr
Michelle Gildernew MP
Dr Alasdair McDonnell MP
Mitchel McLaughlin
David McNarry
Maurice Morrow
Sean Neeson
Margaret Ritchie
David Simpson

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Paul Stitt (Clerical Supervisor)
Dr Peter Gilleece (Assembly Research)

The meeting commenced at 10.03am in closed session.

1. **Apologies**

Dr Esmond Birnie (Mr Beggs attended the meeting as UUP representative in place of Dr Birnie).

Mr David Ford.

Mr Ian Paisley Jnr (Lord Morrow attended the meeting as DUP representative in place of Mr Paisley Jnr).

Mr Peter Weir (Mr Simpson attended the meeting as DUP representative in place of Mr Weir).

2. **Draft Minutes of Meeting on 25 July 2006**

These were agreed for publication on the Assembly's website.

3. **Matters Arising**

The Chairman stated that the Preparation for Government Committee had agreed that there would be five Chairs for the economic sub-group and that the Secretary of State would be contacting Alliance, SDLP and UUP for nominations.

It was noted that the transcript of the meeting on 20th July 2006 had been cleared for publication.

Dr McDonnell joined the meeting at 10.15am.

Members expressed concern that the Economic Development Forum had declined an invitation to attend and agreed that a further request would be made if the sub-group continued to meet after 18 August.

Members noted that the Secretary of State had recently set up a group to consider industrial de-rating. It was agreed to write to the Secretary of State seeking advance notice of relevant initiatives or similar groups being set up in the future.

Members also noted that Maria Eagle, MP, the Minister for Enterprise, Trade and Investment was unavailable until early September. It was further agreed to write to the Secretary of State to record the sub-group's dissatisfaction at the Minister's unavailability and to ask her to meet with the sub-group at the earliest available opportunity.

4. Revised Work Programme

Members considered a revised work programme of evidence sessions. It was agreed that both NICVA and the Enterprise Agency should be added to the programme of evidence sessions. In addition, the sub-group would seek written submissions from representatives in the new technologies sector.

The meeting continued in open session at 10.45am.

5. Evidence Sessions

The sub-group took evidence from the Strategic Investment Board

The sub-group took evidence from Invest Northern Ireland.

Mr McNarry left the meeting at 12.25pm.

Lord Morrow left the meeting at 12.27pm.

The meeting continued in closed session at 12.55pm.

6. Any Other Business

Members agreed a draft press release for issue.

Members agreed that the deadline for Dr Gilleece's research paper was Monday 14 August 2006.

It was also agreed that a short meeting should be organised to discuss the issues emerging from the oral evidence.

7. Next Meeting

The next meeting of the sub-group was arranged for Tuesday 1 August 2006 at 10.00 am.

The meeting adjourned at 1.00pm.

Tuesday, 1 August 2006 in Room 135, Parliament Buildings.

In the Chair: Jim Wells

Present: Dr Esmond Birnie
John Dallat
David Ford
Michelle Gildernew MP
Nelson McCausland
Dr Alasdair McDonnell MP
Barry McElduff
David McNarry
Sean Neeson
Peter Weir

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Dr Peter Gilleece (Assembly Research)

The meeting commenced at 10.07am in closed session.

1. **Apologies**

Ian Paisley Jnr (Mr McCausland attended the meeting as DUP representative in place of Mr Paisley Jnr).

Margaret Ritchie (John Dallat attended the meeting as SDLP representative in place of Ms Ritchie).

Mitchel McLaughlin (Mr McElduff attended the meeting as SF representative in place of Mr McLaughlin).

2. **Draft Minutes of Meeting on 27 July 2006**

These were agreed for publication on the Assembly's website.

Mr Molloy joined the meeting at 10.10am as an observer.

Mr Ford joined the meeting at 10.10am.

3. Matters Arising

Members noted the letter to the Secretary of State issued on 31 July, regarding Ministers' attendance and advance notice of future initiatives, which had been agreed at the previous meeting.

Members were advised that the Northern Ireland Tourist Board were unable to attend today but will attend on 10 August to give evidence. They were also advised that Mivan were unable to attend to give oral evidence, but would provide a written submission.

The Chairman drew Members attention to research papers included in the meeting papers by Professor Richard Harris and Dr John Bradley and to further information provided by InterTradeIreland.

The Chairman stated that no proposed amendments had been received from Members for the draft transcript of the meeting on 25 July 2006. This had now been cleared for publication.

The draft transcript of the meeting on 27 July was circulated to Members.

Arrangements were agreed for the forthcoming meeting on emerging themes on 3 August at 3.30pm.

Dr McDonnell joined the meeting at 10.14am.

4. Revised Work Programme

Members considered a revised work programme of evidence sessions and a list of other potential witnesses, together with those organisations asked to provide written evidence.

It was agreed that a memo should issue to the Preparation for Government Committee seeking a one-week extension to the deadline for the sub-group's report until 25 August 2006.

5. Evidence Sessions

The meeting continued in open session at 10.20am.

Mr Neeson joined the meeting at 10.25am.

The sub-group took evidence from Mr John Simpson, Economist.

Mr McNarry left the meeting at 11.15am.

Mr McNarry joined the meeting at 11.40am.

The sub-group took evidence from officials from the Department of Enterprise, Trade and Investment.

Ms Gildernew left the meeting at 12.15pm.

Mr Ford left the meeting at 12.27pm.

Ms Gildernew joined the meeting at 12.50pm.

Mr Wells and Mr McNarry left the meeting at 12.55pm.

Mr Molloy took the chair at 12.55 pm.

The sub-group took evidence from Enterprise Northern Ireland.

Mr Dallat left the meeting at 1.42pm.

The meeting continued in closed session at 1.45pm.

6. Review of Evidence

Members agreed to leave the review of evidence received to date until the afternoon meeting on Thursday 3rd August.

7. Any Other Business

Subject to amendments, Members agreed a draft press release for issue.

Members noted the written submission received from the Quarry Products Association.

8. Next Meeting

The next meeting of the sub-group was arranged for Thursday 3 August 2006 at 10.00 am.

The meeting adjourned at 1.50pm.

Thursday, 3 August 2006

in Room 135, Parliament Buildings at 10.00am.

In the Chair: Francie Molloy

Present: Dr Esmond Birnie
John Dallat
Alex Easton
David Ford
Michelle Gildernew MP
Dr Alasdair McDonnell MP
Barry McElduff
David McNarry
Sean Neeson
Peter Weir

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)

The meeting commenced at 10.05am in closed session.

1. **Apologies**

Ian Paisley Jnr (Mr Easton attended the meeting as DUP representative in place of Mr Paisley Jnr).

Margaret Ritchie (John Dallat attended the meeting as SDLP representative in place of Ms Ritchie).

Mitchel McLaughlin (Mr McElduff attended the meeting as SF representative in place of Mr McLaughlin).

2. **Draft Minutes of Meeting on 1 August 2006**

These were agreed for publication on the Assembly's website.

3. **Matters Arising**

Members noted that the Preparation for Government Committee had approved a one-week extension to 25 August for the sub-group to complete its report, subject to the agreement of the Secretary of State.

Members also noted that Naomi Long, Jim Wilson and Alban Maginness had been nominated as chairpersons for the sub-group.

The revised work plan was discussed and approved. It was agreed that no further oral evidence would be taken at this stage and that the additional week would be used to consider written submissions and a draft report.

Members were advised that the Quinn Group would be unable to attend the meeting on 10 August to give evidence, but had been asked for a written submission.

The forthcoming meeting on emerging themes was discussed and papers tabled.

The draft transcript of the meeting on 1 August was circulated to Members.

4. Evidence Sessions

The meeting continued in open session at 10.13am.

Dr McDonnell joined the meeting at 10.27am.

Mr Ford joined the meeting at 10.31am.

The sub-group took evidence from Sir George Quigley, Tony Hopkins and Michael Ryan of the Industrial Taskforce.

Dr Birnie left the meeting at 11.24am.

Mr Beggs joined the meeting at 11.24am as a substitute for Dr Birnie.

The sub-group took evidence from Peter Bunting, John Corey and Michael Kiddle of the Northern Ireland Committee of the Irish Congress of Trade Unions (NICICTU).

Mr McNarry left the meeting at 11.24am.

Mr McNarry joined the meeting at 11.45am.

Mr Easton left the meeting at 12.04pm.

The sub-group took evidence from Will Haire and Dr Robson Davison from the Department of Education.

The meeting was suspended at 1.10pm.

Mr Neeson and Mr Beggs left the meeting at 1.10pm.

The meeting was reconvened at 1.30pm.

The sub-group took evidence from Dr Aideen McGinley, Catherine Bell and Chris McConkey from the Department for Employment and Learning.

Mr McNarry left the meeting at 2.10pm.

The meeting continued in closed session at 2.12pm.

5. **Any Other Business**

Members agreed a draft press release for issue, subject to minor amendments.

6. **Next Meeting**

The next meeting of the sub-group was arranged for Thursday 3 August 2006 at 3.30pm.

The meeting adjourned at 2.15pm.

Thursday, 3 August 2006

in Room 135, Parliament Buildings at 3.30pm.

In the Chair: Jim Wells

Present: Dr Esmond Birnie
Wilson Clyde
John Dallat
David Ford
Michelle Gildernew MP
Dr Alasdair McDonnell MP
Barry McElduff
David McNarry
Peter Weir

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Paul Stitt (Clerical Supervisor)
Dr Peter Gilleece (Senior Researcher)

The meeting commenced at 3.33pm in closed session.

1. **Apologies**

Mitchel McLaughlin (Mr McElduff attended the meeting as SF representative in place of Mr McLaughlin).

Sean Neeson.

Ian Paisley Jnr (Mr Clyde attended the meeting as DUP representative in place of Mr Paisley Jnr).

Margaret Ritchie (John Dallat attended the meeting as SDLP representative in place of Ms Ritchie).

2. **Matters Arising**

Members noted that the draft minutes for both meetings on 3 August would be available for the meeting on 8 August.

3. **Emerging Issues**

Mr McNarry joined the meeting at 3.45pm.

Dr Gilleece presented his paper on the issues emerging from the oral evidence received to date.

Members debated and agreed the key issues emerging from the evidence in relation to the sub-group's terms of reference.

Dr McDonnell left the meeting at 4.45pm.

Mr Ford left the meeting at 4.50pm.

4. Any Other Business

Mr McNarry suggested that members of the Youth Council should be asked to give evidence to the sub-group.

5. Next Meeting

The next meeting of the sub-group was arranged for Tuesday 8 August 2006 at 10.00am.

The meeting adjourned at 5.00pm.

Tuesday, 8 August 2006 in Room 135, Parliament Buildings at 10.00am.

In the Chair: Alban Maginness

Present: Dr Esmond Birnie
Michelle Gildernew MP
Naomi Long
Dr Alasdair McDonnell MP
Barry McElduff
David McNarry
Lord Morrow
Sean Neeson
Margaret Ritchie
Peter Weir

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)
Dr Peter Gilleece (Senior Researcher)

The meeting commenced at 10.10am in closed session.

1. **Apologies**

David Ford (Naomi Long attended the meeting as Alliance representative in place of Mr Ford).

Mitchel McLaughlin (Mr McElduff attended the meeting as SF representative in place of Mr McLaughlin).

Ian Paisley Jnr (Lord Morrow attended the meeting as DUP representative in place of Mr Paisley Jnr).

2. **Draft Minutes of Meetings on 3 August 2006**

These were agreed for publication on the Assembly's website.

3. **Matters Arising**

In response to an enquiry from Mr McNarry, Members noted that a detailed breakdown of the £16bn infrastructure package announced by the Secretary of State had been requested from officials.

Mr McElduff joined the meeting at 10.16am.

Members noted the correspondence from the Secretary of State on the further nominations to chair the sub-group. It was agreed that the position would be allocated on a rotational basis, subject to availability. It was also noted that the UUPAG had nominated Mr McClarty, as Mr Wilson was currently unavailable. Mr. McClarty will be added to the rota when the Secretary of State confirms his nomination

The Principal Clerk will seek formal procedural advice from the Preparation for Government Committee on whether a Member could act as a substitute at a meeting of the sub-group and later chair future meetings. Additionally, clarification would be sought on whether members of the Preparation for Government Committee, who were also members of the sub-group, could nominate a substitute for sub-group meetings or were required to attend.

Members noted the latest reports from the sub-groups of the Economic Development Forum and agreed that these should be treated as written evidence.

Ms Gildernew joined the meeting at 10.20am.

Members noted that the Youth Council had been contacted with a view to giving oral evidence and that they had referred the request to the Northern Ireland Youth Forum, who had yet to respond.

Dr McDonnell joined the meeting at 10.22am.

It was agreed that Dr Graham Gudgeon should be asked to submit written evidence to the sub-group.

Members noted receipt of the draft transcripts of the meetings on 3rd August 2006.

4. Evidence Sessions

The meeting continued in open session at 10.27am.

The sub-group took evidence from Eric Reid of Moy Park.

Mr McNarry left the meeting at 10.58am.

Mr McNarry joined the meeting at 11.10am.

Mr McElduff left the meeting at 11.25am.

Mr McElduff joined the meeting at 11.50am.

The sub-group took evidence from Clarke Black and Kenneth Sharkey of the Ulster Farmers Union

Mr McNarry left the meeting at 12.10pm.

The meeting was suspended at 12.20pm.

Ms Long left the meeting at 12.20pm.

Ms Gildernew left the meeting at 12.20pm.

The meeting was reconvened at 12.25pm.

Mr McNarry joined the meeting at 12.25pm.

The sub-group took evidence from William Wright of Wrightbus.

Lord Morrow left the meeting at 1.00pm.

Mr McNarry left the meeting at 1.08pm.

The meeting was suspended at 1.08pm as it was inquorate.

Ms Gildernew joined the meeting at 1.10pm.

The meeting was reconvened at 1.10pm.

The sub-group took evidence from Bruce Robinson and Mike Brennan from the Department of Finance and Personnel.

The meeting continued in closed session at 1.55pm.

5. Any Other Business

Members noted the written submission from the Freight Transport Association and the additional information from DETI.

Members agreed a draft press release for issue, subject to minor amendments.

6. Next Meeting

The next meeting of the sub-group was arranged for Thursday 10 August 2006 at 10.00am.

The meeting adjourned at 2.00pm.

Thursday, 10 August 2006

in Room 135, Parliament Buildings at 10.00am.

In the Chair: Naomi Long

Present: Dr Esmond Birnie
Michelle Gildernew MP
Kieran McCarthy
Dr Alasdair McDonnell MP
Barry McElduff
David McNarry
Lord Morrow
Sean Neeson
Robin Newton
Margaret Ritchie

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)
Dr Peter Gilleece (Senior Researcher)

The meeting commenced at 10.03am in closed session.

1. **Apologies**

David Ford (Mr McCarthy attended the meeting as Alliance representative in place of Mr Ford).

Mitchel McLaughlin (Mr McElduff attended the meeting as SF representative in place of Mr McLaughlin).

Ian Paisley Jnr (Lord Morrow attended the meeting as DUP representative in place of Mr Paisley Jnr).

Peter Weir (Mr Newton attended the meeting as DUP representative in place of Mr Weir).

2. **Draft Minutes of Meetings on 8 August 2006**

These were agreed for publication on the Assembly's website.

3. Matters Arising

Members noted details on the breakdown of the £16bn infrastructure package provided by the Strategic Investment Board.

Members noted procedural advice from the Preparation for Government Committee on the issues of substitutes chairing future meetings of the sub-group and whether members of the Preparation for Government Committee, who were also sub-group members, could nominate a substitute for sub-group meetings or were required to attend.

Members noted that, as agreed, Graham Gudgeon had been asked to submit a written response.

Dr Birnie joined the meeting at 10.12am.

Members noted that no response had been received from the Northern Ireland Youth Forum in relation to them giving evidence to the sub-group. It was agreed to seek the advice of the Preparation for Government Committee as to how a meeting with the Youth Forum could be facilitated.

4. Additional Evidence Received from Witnesses

Members noted the additional information, requested at recent evidence sessions, received from the following organisations:

- Industrial Taskforce;
- Strategic Investment Board; and
- Department of Enterprise Trade and Investment.

5. Written Evidence

Members noted the written submissions from the following:

- International Centre for Learning and Development;
- University of Ulster;
- UU Tech;
- Planning Service;
- Northbrook Technologies;
- Action Renewables; and
- Mivan.

Members noted the concerns expressed by Mivan's Chief Executive in his written submission and agreed that these would be considered at the next meeting along with the other submissions received to date.

Members agreed that this meeting would be in open session.

6. Press Cuttings

Members noted recent press articles relevant to the sub-group's terms of reference.

7. Evidence Sessions

The meeting continued in open session at 10.20am.

The sub-group took evidence from Alan Clarke, Tom McGrath and Sue Ward of the Northern Ireland Tourist Board.

Dr McDonnell joined the meeting at 10.22am.

Mr Neeson joined the meeting at 10.55am.

Dr Birnie left the meeting at 11.00am.

Mr McElduff left the meeting at 11.03am.

Mr McNarry left the meeting at 11.10am.

Dr Birnie joined the meeting at 11.15am.

Mr McElduff joined the meeting at 11.20am.

Mr McNarry joined the meeting at 11.25am.

The sub-group took evidence from Victor Hewitt of the Economic Research Institute of Northern Ireland.

Ms Gildernew left the meeting at 11.30am.

Ms Gildernew joined the meeting at 11.55am.

Mr McNarry left the meeting at 12.10pm.

The sub-group took evidence from Seamus McAleavey and Frances McCandless of the Northern Ireland Council for Voluntary Action.

Mr McNarry joined the meeting at 12.45pm.

The meeting continued in closed session at 1.05pm.

8. Any Other Business

Members agreed a draft press release for issue, subject to minor amendments.

Members agreed to seek the following additional information from the relevant government departments:

- a further breakdown of the statistics on economic inactivity received from DETI, including comments on why the levels of sick/disabled were significantly higher when compared to the Republic of Ireland;
- numbers in receipt of the various disability benefits, including age breakdown and the number of applications and awards over the past 10 years;
- information on the approximate value of social security benefits which are properly available and which have not been claimed; and
- information on benefit fraud.

Dr Gilleece presented his research paper on the Contribution of Educational Policy to Economic Growth in the Republic of Ireland.

Mr McNarry left the meeting at 1.30pm.

Members agreed to seek further information from the Department for Employment and Learning on the relative qualifications of the Northern Ireland labour force, including comparisons with the rest of the United Kingdom and the Republic of Ireland.

6. Next Meeting

The next meeting of the sub-group was arranged for Tuesday 15 August 2006 at 10.00am.

The meeting adjourned at 1.57pm.

Tuesday, 15 August 2006

in Room 135, Parliament Buildings at 10.00am.

In the Chair: David McClarty

Present: Roy Beggs
David Ford
Kieran McCarthy
Dr Alasdair McDonnell MP
Barry McElduff
Mitchel McLaughlin
David McNarry
Sean Neeson
Ian Paisley Jnr
Margaret Ritchie
David Simpson

In Attendance: Alan Patterson (Principal Clerk)
Paul Moore (Clerk)
Roisin Donnelly (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)

The meeting commenced at 10.07am in closed session.

1. Apologies

Esmond Birnie (Mr Beggs attended the meeting as UUP representative in place of Mr Birnie).

Michelle Gildernew MP (Mr McElduff attended the meeting as SF representative in place of Ms Gildernew).

Sean Neeson (Mr McCarthy attended part of the meeting as Alliance representative in place of Mr Neeson).

Peter Weir (Mr Simpson attended the meeting as DUP representative in place of Mr Weir).

2. Draft Minutes of Meetings on 10 August 2006

These were agreed for publication on the Assembly's website.

3. Matters Arising

Mr Simpson declared his interest in the meat industry and the manufacturing sector.

Mr McElduff joined the meeting at 10.10am

Members noted a memo to the Preparation for Government Committee and the response received, confirming that the sub-group should take evidence from the Youth Forum after the 25 August report deadline and incorporate that evidence as an addendum to its report.

Members noted a letter from the Secretary of State of 7 August 2006 to Mr Jim Wells regarding the attendance of officials and Ministers at meetings of the sub-group and information on a working group on industrial de-rating. It was agreed to ask the Preparation for Government Committee to approve calling the Minister, Maria Eagle to appear before the sub-group after the 25 August report deadline and that this evidence would form an addendum to the report. It was also agreed that information regarding the terms of reference and membership of the industrial de-rating working group would be sought from David Hanson's office.

4. Additional Evidence Received from Witnesses

Members noted the additional information, requested at recent evidence sessions, received from the following organisations:

- Federation of Small Businesses;
- Enterprise Northern Ireland;
- Department of Education;
- Department for Employment and Learning;
- Department of Finance and Personnel; and
- Business Alliance.

Mr Beggs requested further information from the Department of Education in respect of statistical information provided.

The meeting continued in open session at 10.30am.

5. Written Evidence

Dr McDonnell joined the meeting at 10.30am.

Paul Moore presented his summary and analysis paper on the written evidence provided to the sub-group up to 11 August 2006.

Mr McLaughlin joined the meeting at 11.00am.

Mr Neeson left the meeting at 11.02am.

Mr McCarthy joined the meeting at 11.06am.

It was agreed that a grid should be prepared for Thursday's meeting identifying the issues emerging from the oral and written evidence in relation to the sub-group's terms of reference. A further column should also be included in the grid to enable Members to identify the options in response to the issues raised.

Mr McCarthy left the meeting at 11.24am.

Members noted the briefing paper prepared by Dr Peter Gillece on ‘The Contribution of Education Policy to Economic Growth in the Republic of Ireland’ presented at the last meeting.

Members noted the Written Evidence section of the sub-group’s report compiling the written submissions received up to 11 August 2006.

Members noted a further written submission (received after 11 August) from the Rural Development Council and a letter from the Special EU Programmes Body declining the invitation to provide a written submission.

The meeting continued in open session at 11.26am.

6. Any Other Business

No other items of business were raised.

7. Next Meeting

The next meeting of the sub-group was arranged for Thursday 17 August 2006 at 10.00am. It was agreed that each of the parties would prepare a short summary paper of their views against the terms of reference for the sub-group at the next meeting.

The meeting adjourned at 11.28am.

Thursday, 17 August 2006

in Room 135, Parliament Buildings at 10.00am.

In the Chair: Naomi Long

Present: Leslie Cree
John Dallat
George Dawson
Kieran McCarthy
Dr Alasdair McDonnell MP
Barry McElduff
Mitchel McLaughlin
David McNarry
Sean Neeson
David Simpson

In Attendance: Alan Patterson (Principal Clerk)
Roisin Donnelly (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)

The meeting commenced at 10.00am in closed session.

1. **Apologies**

Esmond Birnie (Mr Cree attended the meeting as UUP representative in place of Mr Birnie).

David Ford (Mr McCarthy attended part of the meeting as Alliance representative in place of Mr Ford).

Michelle Gildernew MP (Mr McElduff attended the meeting as SF representative in place of Ms Gildernew).

Ian Paisley Jnr (Mr Simpson attended the meeting as DUP representative in place of Mr Paisley).

Margaret Ritchie (Mr Dallat attended the meeting as SDLP representative in place of Ms Ritchie).

Peter Weir (Mr Dawson attended the meeting as DUP representative in place of Mr Weir).

2. **Draft Minutes of Meetings on 15 August 2006**

These were agreed for publication on the Assembly's website.

3. Matters Arising

Members noted a memo to the Preparation for Government Committee and the response received, confirming approval for the sub-group to take evidence from the Minister, Maria Eagle MP after the 25 August report deadline.

Members noted a letter to the Minister, David Hanson requesting further information regarding the terms of reference and membership of the working group he is to establish on industrial de-rating.

4. Written Evidence

Members noted written submissions from the following:

Association of Northern Ireland Colleges; and

Northern Ireland Manufacturing Focus Group.

Members also noted information requested from the Department for Social Development on disability benefits.

5. Additional Information Received from Witnesses

Members noted the additional information, requested at recent evidence sessions, received from the following organisations:

Department of Enterprise Trade and Investment;

Economic Research Institute NI; and

Department of Education.

6. Presentations outlining party positions

The meeting continued in open session at 10.10am.

Mr McElduff joined the meeting at 10.10am.

Dr McDonnell joined the meeting at 10.13am.

A representative from each of the parties presented a summary paper outlining party positions in relation to the terms of reference set for the sub-group.

Mr Neeson left the meeting at 11.45am.

7. Findings of the Sub-group

The meeting continued in closed session at 11.46am.

Members considered a paper detailing the findings of the sub-group to date, and containing draft recommendations. It was agreed that this paper (subject to amendments agreed at the meeting) would form the basis for the preparation of the first draft of the sub-group's report.

It was agreed to make a recommendation to the Preparation for Government Committee that the sub-group continue its work beyond the 25 August report deadline with new terms of reference.

8. **Any Other Business**

Members noted the information regarding the 11th Annual Northern Ireland Economic Conference to be held on 4 October.

9. **Next Meeting**

The next meeting of the sub-group was arranged for Tuesday 22 August 2006 at 10.00am.

It was agreed that the sub-group meetings scheduled to consider the draft report would be held in closed session and that an official report of the proceedings would not be published.

The meeting adjourned at 1.00pm.

Tuesday, 22 August 2006

in Room 135, Parliament Buildings at 10.00am.

Draft Proceedings of the Sub-group to Consider the Economic Challenges Facing Northern Ireland

In the Chair: Francie Molloy

Present: Esmond Birnie
George Dawson
Kieran McCarthy
Dr Alasdair McDonnell MP
Fra McCann
Mitchel McLaughlin
David McNarry
Sean Neeson
Margaret Ritchie
Peter Weir

In Attendance: Alan Patterson (Principal Clerk)
Roisin Donnelly (Assistant Clerk)
Trevor Allen (Clerical Supervisor)
Paul Stitt (Clerical Supervisor)

The meeting commenced at 10.00am in closed session.

1. Apologies

David Ford (Mr McCarthy attended the meeting as Alliance representative in place of Mr Ford).

Michelle Gildernew MP (Mr McCann attended the meeting as SF representative in place of Ms Gildernew).

Ian Paisley Jnr (Mr Dawson attended the meeting as DUP representative in place of Mr Paisley).

2. Draft Minutes of Meetings on 17 August 2006

These were agreed for publication on the Assembly's website.

3. Matters Arising

Members noted copies of the party presentations for UUPAG and DUP from the meeting of 17 August.

Mr McLaughlin joined the meeting at 10.02am

Members noted confirmation that the Minister, Maria Eagle MP will appear before the Sub-group for an evidence session on 5 September at 10.15am. Members noted that the addendum to the Sub-group's report may be no more than the Hansard of the evidence session given the timescales for the anticipated plenary debate.

Members noted that efforts were continuing to be made to arrange an evidence session with both the Youth Forum and Youth Net to also take place on 5 September.

4. **Additional Information Received from Witnesses**

Members noted the additional information, requested at a recent evidence session, received from the Department of Finance and Personnel on the 1998 Chancellor's Initiative Package.

5. **Draft Report**

Dr Birnie and Dr McDonnell joined the meeting at 10.04am

It was agreed that Members would consider the first draft of the report section by section, and that any agreement reached at this meeting would be subject to further deliberation and discussion with party colleagues.

Membership, Terms of Reference and Contents

The Sub-group Membership, Terms of Reference and Contents sections of the report were agreed.

Introduction

The Introduction of the report was agreed subject to minor amendment at paragraph 7.

Consideration of Evidence

The Consideration of Evidence on Impediments to Economic Growth section of the report was agreed subject to:

- minor amendment to paragraphs 11 and 12;
- an addition at paragraph 16;
- reformatting of the bullet points at paragraph 24;
- minor amendments to paragraph 24 (bullet points 16 and 17);
- expansion of information on 'Low R&D development . . .' at paragraph 28;
- a qualifying sentence under each sub section of paragraph 28 to explain the context in which the bullet points are listed;

Mr Weir left the meeting at 10.45am.

- expansion of information on 'High economic activity rate' at paragraph 28;

Dr Birnie left the meeting at 10.46am.

- expansion of information on ‘Underperformance in tourist industry’ at paragraph 28;
- change of title of ‘Location and size of Northern Ireland’ at paragraph 28 to ‘Peripherality’;
- reformatting of the bullets points at paragraph 29 to roman numerals;

Mr Weir rejoined the meeting at 10.47am.

- amendment to paragraph 29, (bullet points 2 and 3);
- additional bullet point to be inserted at paragraph 29 relating to ‘review of structure, function and operations of INI’;

Dr Birnie rejoined the meeting at 10.52am.

- The reordering of the bullet points at paragraph 29 to give more prominence to bullet point 6;
- amendment to paragraph 29, (bullet point 7);
- amendment to paragraph 29, (bullet points 8 and 10);
- the inclusion of the following further two bullet points at paragraph 29:
 - xi. The sub-group agreed that failure to have all party agreement on the political institutions and policing will hinder and act as an impediment to business investment in Northern Ireland.
 - xii. Organised crime, particularly where it impacts on business also acts as a serious impediment to economic stability and growth.

Mr McCarthy and Mr McNarry left the meeting at 11.40am.

The Consideration of Evidence on *Fiscal Incentives that may promote FDI and Indigenous Investment* section of the report was agreed subject to:

- minor amendment at paragraphs 33 and 38;

Mr McCarthy rejoined the meeting at 11.45am.

- minor amendment at paragraph 52;
- expansion of paragraph 53 to include reference to evidence from the NI Manufacturing Focus Group;

Mr Weir left the meeting at 11.50am.

Mr McNarry rejoined the meeting at 11.50am.

- minor amendment at paragraph 64;
- the inclusion of reference to the ‘small firms loan guarantee scheme’ at paragraph 65;
- amendment at paragraph 69 (bullet points 2 and 3);

The Consideration of Evidence on Other matters including economic package/peace dividend – contribution to economic regeneration and how this might be delivered section of the report was agreed subject to:

- expansion of paragraph 76;
- minor amendment to paragraph 82, (bullet points 1, 2 and 6) and paragraph 86;

Dr McDonnell left the meeting at 12.20pm.

List of Abbreviations

The List of Abbreviations was agreed.

Appendices

The contents of the appendices were agreed.

The Chairperson invited Members to forward any further amendments to the report for the attention of the Principal Clerk to be included in the final draft to be considered at Thursday's meeting.

8. Any Other Business

Members noted the invitation to join the Speaker for lunch in the Members Dining Room on Thursday, 31 August and agreed to forward confirmation of attendees to sub-group staff by Friday, 25 August.

9. Next Meeting

The next meeting of the sub-group was arranged for Thursday 24 August 2006 at 10.00am. It was confirmed that Thursday's meeting would be the last opportunity for consideration of the final report in order to meet the report deadline of 25 August.

The meeting adjourned at 12.25pm

Thursday, 24 August 2006

in Room 135, Parliament Buildings at 10.00am.

Draft Proceedings of the Sub-group to Consider the Economic Challenges Facing Northern Ireland

In the Chair: Jim Wells

Present: Dr Esmond Birnie
Kieran McCarthy
Dr Alasdair McDonnell MP
Barry McElduff
Mitchel McLaughlin
David McNarry
Sean Neeson
Robin Newton
Edwin Poots
Margaret Ritchie

In Attendance: Alan Patterson (Principal Clerk)
Colin Jones (Assistant Clerk)
Trevor Allen (Clerical Supervisor)

The meeting commenced at 10.08am in closed session.

1. Apologies

David Ford (Mr McCarthy attended the meeting as Alliance representative in place of Mr Ford).

Michelle Gildernew MP (Mr McElduff attended the meeting as SF representative in place of Ms Gildernew).

Ian Paisley Jnr (Mr Poots attended the meeting as DUP representative in place of Mr Paisley).

Peter Weir (Mr Newton attended the meeting as DUP representative in place of Mr Weir).

2. Draft Minutes of Meeting on 22 August 2006

These were agreed for publication on the Assembly's website.

3. Matters Arising

Members noted a holding response from the NIO in relation to the sub-group's request for information on the working group to be established to look at industrial de-rating. It was noted that the information would be forwarded to members on receipt.

As the sub-group had requested the Preparation for Government Committee to extend its mandate to further consider key issues such as the skills deficit and the composition of an economic package, it was agreed that, should this request be approved, evidence could be sought from the Sector Skills Development Agency.

4. Additional Written Submission

Members noted the additional written submission from BT on the BT/NICCI quarterly business survey.

Mr Poots joined the meeting at 10.15am.

5. Draft Report

Members noted the additional party submissions from the UUPAG and the SDLP.

Dr McDonnell joined the meeting at 10.22am.

Members agreed the format of the final report and noted that the transcript of today's meeting would not be included in the report as it was in closed session.

Following debate, it was agreed that the UUPAG paper for inclusion in the report should be updated to reflect their view that co-operation with the Republic of Ireland should be driven by practical and economic arguments and recognising the fact that the Republic was also a competitor in relation to the Northern Ireland economy.

Members then considered and agreed the draft report as follows:

Title Page

Agreed.

Mr McCarthy joined the meeting at 10.50am.

Membership and Terms for Reference

Agreed.

List of Contents

Agreed.

Executive Summary

Agreed subject to minor amendment.

Recommendations

Agreed subject to minor amendment to paragraphs 3, 7 and 18. It was also agreed that:

Paragraph 12 should be amended to include the need for the planning process to be effectively managed and an enabling culture to be established.

Paragraph 15 should be amended to reflect the agreement of all parties represented on the sub-group.

Paragraph 16 should be amended to add that serious action needed to be taken to eradicating organised crime and criminality.

Introduction

Paragraphs 1–7 were agreed.

Consideration of Evidence

Paragraphs 8–10 were agreed.

Paragraphs 11–17 were agreed.

Paragraphs 18–22 were agreed.

Paragraph 23 was agreed subject to the addition of other issues in the education sector such as teaching methods, the breadth and depth of the curriculum and school discipline.

Paragraphs 24–29 were agreed.

Paragraph 30 was agreed subject to verification of the statistics on R&D spend in paragraph 30(v).

Paragraphs 31–34 were agreed.

Paragraphs 35–38 were agreed subject to minor amendment.

Paragraphs 39–42 were agreed subject to minor amendment.

Paragraphs 43–46 were agreed subject to minor amendment.

Paragraphs 47–51 were agreed.

Paragraphs 52–58 were agreed.

Paragraphs 59–62 were agreed.

Paragraphs 63–66 were agreed.

Paragraphs 67–71 were agreed.

Paragraphs 72–74 were agreed.

Paragraphs 75–79 were agreed subject to the verification of the contribution of tourism to the Northern Ireland economy detailed in paragraph 79.

Paragraphs 80–85 were agreed.

Paragraph 86 was agreed subject to amendment to reflect the changes previously agreed to the ‘Recommendations’ section.

Fiscal Initiatives That May Promote FDI and Indigenous Investment

Paragraphs 87–91 were agreed.

Paragraphs 92–94 were agreed.

Paragraph 95 was agreed subject to inclusion of DFP estimated costs to the Treasury of reducing corporation tax.

Paragraphs 96–101 were agreed.

R&D Tax Credits

Paragraph 102 was agreed subject to minor amendment.

Paragraphs 103–107 were agreed.

Grants

Paragraphs 108–109 were agreed.

Rates Relief – Lowering Business Costs

Paragraphs 110–113 were agreed.

Zoning

Paragraphs 114–115 were agreed.

Cross-Border Incentives

Paragraphs 116–117 were agreed.

Loans and Public Private Partnerships

Paragraphs 118–119 were agreed.

Views of the Political Parties

Paragraphs 120–127 were agreed.

Paragraph 128 was agreed subject to the inclusion of a summary of the additional points to be included in the UUPAG’s paper.

Conclusions

Paragraph 129 was agreed subject to minor amendment.

Paragraph 130 was agreed subject to the addition of a third bullet point setting out the key issues identified by the sub-group which any independent study should address.

Paragraph 131 was agreed.

Other Matters Including How An Economic Package/Peace Dividend Could Contribute To Economic Regeneration And How This Might Be Delivered

Paragraphs 132–136 were agreed.

Paragraph 137 was agreed subject to minor amendment.

Paragraphs 138–144 were agreed.

Views of the Political Parties On The Sub-Group

Paragraphs 145–150 were agreed.

Conclusions

Paragraphs 151–153 were agreed.

List of Abbreviations

Agreed subject to minor amendment.

6. Any Other Business

Members noted that changes agreed at today's meeting would be made to the current draft and the final report would then be sent to the Preparation for Government Committee on Friday 25 August 2006, together with a memo requesting an extension to the sub-group's terms of reference.

It was agreed that the draft minutes of proceedings of today's meeting would be included in the Report, as unapproved minutes.

Members noted that copies of the final report would be distributed to all nominated members and the 5 sub-group chairpersons.

7. Next Meeting

The next meeting of the sub-group was arranged for Tuesday 5 September 2006 at 10.00am.

The meeting adjourned at 12.47pm.

Tuesday, 29 August 2006 in Room 144, Parliament Buildings.

Proceedings of the Committee on the Preparation for Government (Extract of minutes relevant to the report)

In the Chair: Francie Molloy

Present: P J Bradley
Dr Sean Farren
David Ford
Michelle Gildernew MP
Danny Kennedy
Dr William McCrea MP
Alan McFarland
David McNarry
Alex Maskey
Conor Murphy MP
Ian Paisley Jnr
Peter Robinson MP

In Attendance: Nuala Dunwoody (Clerk Assistant)
Debbie Pritchard (Principal Clerk)
John Torney (Principal Clerk)
Christine Darrah (Assembly Clerk)
Jim Beatty (Assistant Clerk)
David Douglas (Clerical Officer)
Peter Gilleece (Senior Researcher)

The meeting commenced at 10.08am.

1. **Apologies**

Mr Durkan MP (Mr Bradley attended the meeting as SDLP representative in place of Mr Durkan MP)

Mrs Long

Dr McDonnell MP

Mr McGuinness MP (Mr Maskey attended the meeting as Sinn Féin representative in place of Mr McGuinness MP)

Lord Morrow (Mr Robinson attended the meeting as DUP representative in place of Lord Morrow)

2. **Hansard Reports**

It was agreed that the Clerk to the Committee should write to the Speaker about the length of time taken to produce Hansard Reports of some of the Committee meetings.

3. **Report of the Sub-group on Economic Challenges facing Northern Ireland**

It was agreed that the Committee's deliberations on the sub-group's report would not be included in Hansard.

The Committee then considered the report. It was agreed that some editorial changes were required and the report should then be referred back to the Committee for further consideration at its meeting on Monday, 4 September 2006.

The meeting was suspended at 11.40am.

Monday 4 September 2006 in Room 144, Parliament Buildings.

Proceedings of the Committee on the Preparation for Government (Extract of minutes relevant to the report)

In the Chair: Jim Wells

Present: P J Bradley
Sean Farren
David Ford
Michelle Gildernew MP
Naomi Long
Dr William McCrea MP
Alan McFarland
Michael McGimpsey
Martin McGuinness MP
David McNarry
Conor Murphy MP
Peter Robinson MP

In Attendance: Nuala Dunwoody (Clerk Assistant)
Debbie Pritchard (Principal Clerk)
Alan Patterson (Principal Clerk)
John Torney (Principal Clerk)
Christine Darrah (Clerk)
Gillian Lyness (Assistant Clerk)
Elaine Farrell (Clerical Supervisor)

Observing Richard Bullick (DUP researcher)
Mark Neale (UUPAG researcher)

The meeting commenced at 10.02 am.

1. **Apologies**

Mr Durkan MP (P J Bradley attended the meeting as SDLP representative in place of Mr Durkan MP)

Mr Kennedy (Mr McGimpsey attended the meeting as DUP representative in place of Mr Kennedy)

Lord Morrow (Mr Robinson MP attended the meeting as DUP representative in place of Lord Morrow)

Ms Gildernew joined the meeting at 10.03 am

Mr McGimpsey joined the meeting at 10.05am

2. Report of the sub-group on Economic Challenges facing Northern Ireland

It was agreed that the Committee's deliberations on the sub-group's report would not be included in Hansard.

The Committee then considered the report and agreed the changes and the recommendations.

The Committee agreed that the report should be printed as the first report from the Committee on the Preparation for Government.

Mr McFarland joined the meeting at 10.12am

The Committee agreed that the Chairperson should agree the minutes of the meeting relevant to the discussion of the report, so that they could be incorporated in the printed report.

The Committee agreed that the sub-group should submit an interim report to the Committee by 4 October 2006 on its work relating to an economic package/peace dividend and should report on the rest of its work by 23 October 2006.

Appendix 1

Part 2: Correspondence on Procedural Matters

Chairman of PfG and its sub-group



Northern
Ireland
Office

Northern Ireland Office
11 Millbank
London SW1P 1PN
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www.nio.gov.uk

Secretary of State for Northern Ireland

Mrs Debbie Pritchard
Principal Clerk of the PFG Committee
Parliament Buildings
Stormont
Belfast
BT4 3XX

3 August 2006

Dear Debbie,

CHAIRMANSHIP OF THE PFG AND ITS SUB-GROUP

Further to my letter of 1 August, I wish to inform the PFG that I have now received party nominations from the UUPAG, SDLP and the Alliance Party for chairing meetings of the PFG sub-group on the economic challenges facing Northern Ireland.

- The UUPAG nominee is Jim Wilson MLA
- The SDLP nominee is Alban Maginness MLA
- The Alliance Party nominee is Naomi Long MLA

I am grateful for the important work which has been taken forward in both the PFG and its sub-group under the existing chairmanship and I recognise the heavy workload and pressures involved. I am therefore content to accept the three new party nominees to act as independent chairs of the economic sub-group and any future subgroups of the PFG, along with the two existing chairs of the PFG. Chairmanship of the sub-group shall operate on a rotating basis.

I would be grateful for your help in ensuring that these new arrangements come into force as soon as possible.



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Secretary of State for Northern Ireland

Mrs Debbie Pritchard
Principal Clerk of the PFG Committee
Parliament Buildings
Stormont
Belfast
BT4 3XX

9 August 2006

CHANGE TO CHAIRMANSHIP OF ECONOMIC SUB-GROUP OF THE PFG

As I informed you in my letter of 3 August, the UUPAG had originally nominated Jim Wilson MLA to be one of the chairs of the economic subgroup of the PFG. Jim Wilson is now no longer available to chair this sub-group and the UUPAG have instead nominated **David McClarty MLA** to take his place.

I am content to accept this alternative nomination and would be if you could ensure that the necessary changes are made to the list of rotating chairs for the sub-group.

A copy of this letter goes to the Speaker of the Assembly.

RT HON PETER HAIN MP
SECRETARY OF STATE FOR NORTHERN IRELAND

PREPARATION FOR

THE ASSEMBLY

GOVERNMENT COTTEE

Substitute arrangements and dual member/chairperson issues

From Alan Patterson
Principal Clerk
Sub-group on the Economic Challenges facing Northern Ireland

Date 8 August 2006

To Debbie Pritchard
Principal Clerk
Committee on the Preparation for Government

Sub-group on the Economic Challenges facing Northern Ireland – substitute arrangements and dual chairperson/member issue

At today's meeting of the sub-group David McNarry raised two procedural issues on which I undertook to check the advice I provided. I appreciate that you may wish to take the view of PfG on these issues.

Substitute arrangements for PfG nominated members of the sub-group

Mr. McNarry asked whether it was appropriate for a substitute to attend specifically in place of the nominated PfG member representative. We have previously discussed this. I advised the sub-group that PfG had not stipulated that a substitute could not attend in place of the PfG member nominee and that there was no procedural rule against this practice.

I would welcome your view, and if you consider it appropriate the view of PfG on this practice. I should add that this has become accepted convention in the sub-group.

Dual membership and chairperson

Naomi Long attended today's meeting as a substitute for David Ford and is due to chair the meeting on 10 August. Mr. McNarry asked whether this was appropriate. I advised that I saw no procedural issue as the role of chair is to act as an independent facilitator and has no voting rights. I would welcome confirmation that this advice was correct.

Alan Patterson
Ext 21785

From Martin Wilson
Date 9 August 2006
To Alan Patterson
Principal Clerk

Sub-group on Economic Challenges Facing Northern Ireland

Substitution Arrangements and Dual Chairperson/Member Issue

Further to your minute of 8 August, the Preparation For Government Committee discussed the matters raised by the Sub-group earlier today.

Regarding the substituting arrangements, Members concluded that the practicalities for the smaller parties in terms of representation on the Sub-group needed to be taken into account. The Committee agreed by consensus that the flexibility for parties to field substitutes to the sub-group should be granted.

Regarding the matter of Naomi Long chairing the Sub-group, the Committee noted that the person chairing these meetings does not have any voting rights and agreed by consensus that the flexibility should be provided to the Sub-group to enable the arrangement outlined in your minute to continue.

Martin Wilson
Principal Clerk
Preparation for Government Committee

Extension to date of sub-group to report to PfG Committee

Memo

From: Jim Wells
Date: 1 August 2006
To: Preparation for Government Committee

Extension to Deadline for Economic Sub-Group Report

At its meeting on 1 August the sub-group agreed to request an extension to its current deadline of 18 August to submit a report to PFG. The sub-group has arranged a considerable number of oral evidence sessions and written evidence. The final oral evidence session is on 10 August.

The issues before the sub-group are complex and important. It is the view of the sub-group that an extension of the reporting deadline to 25th August is appropriate and reasonable.

I should be grateful for PFG's urgent consideration of this request.

Jim Wells, MLA
Chairperson

From Debbie Pritchard
Principal Clerk
Committee on the Preparation for Government

Date 2 August 2006

To Alan Patterson
Principal Clerk
Sub-group on the Economic Challenges facing Northern Ireland

Extension to Date for Sub-Group to Report to the Committee on the Preparation For Government

At its meeting this morning the Committee considered the request from the sub-group for an extension of one week for the submission of the report to the Committee on the Preparation for Government.

The Committee agreed to extend the date to 25 August 2006.

A copy of the revised terms of reference, showing the new date, is attached.

Debbie Pritchard

Debbie Pritchard
Ext 21233

Sub-group to consider economic challenges facing Northern Ireland

Terms of Reference

1. To identify the major impediments to the development of the economy in Northern Ireland
2. To consider fiscal incentives that may promote foreign direct investment and indigenous investment.
3. To consider how other matters including an economic package/peace dividend could contribute to economic regeneration and how this might be delivered.

To report to the Committee on the Preparation for Government by **25 August 2006**.

Arrangements for taking oral evidence after the report deadline

From Alan Patterson
Principal Clerk
Sub-group on the Economic Challenges facing Northern Ireland

Date 11 August 2006

To Martin Wilson
Principal Clerk
Committee on the Preparation for Government

Sub-group on the Economic Challenges facing Northern Ireland – Evidence from NI Youth Forum

At yesterday's meeting of the sub-group there was some discussion on the desirability of finding an evidence slot for the Northern Ireland Youth Forum. David McNarry was particularly keen for the sub-group to find an opportunity to hear the views of young people and to ensure that these were taken into account during the proposed plenary debate on the report. It has not been possible to arrange either oral or written evidence from the Forum during the holiday period.

The sub-group was advised that one option was to include the Forum in a future work programme for PfG approval. This would not however be the sub-group's preferred approach and it was agreed that I should seek advice from PfG on what might be done to find an opportunity to hear the views of young people.

If I may suggest a possible solution might be for PfG to agree that the sub-group, on an exceptional basis can take evidence from the Youth Forum after the report deadline of 25 August, which would not change, and that an addendum to the report would be acceptable provided it was submitted before the plenary debate.

I should be grateful for the views of PfG on this suggestion and for any advice it would wish to offer.

Alan Patterson
Ext 21785

From Christine Darrah
Clerk
Preparation for Government Committee

Date 15 August 2006

To Alan Patterson
Principal Clerk
Sub-group on Economic Challenges facing Northern Ireland

Evidence from the Northern Ireland Youth Forum

Further to your minute of 11 August, the Preparation For Government Committee discussed the matter raised by the sub-group at its meeting on 14 August.

The Committee concluded that the sub-group should take evidence from the Youth Forum after the 25 August report deadline and incorporate that evidence as an addendum to its report.

Christine Darrah
Ext 21629

From Alan Patterson
Principal Clerk
Sub-group on the Economic Challenges facing Northern Ireland

Date 15 August 2006

To Martin Wilson
Principal Clerk
Committee on the Preparation for Government

Sub-group on the Economic Challenges facing Northern Ireland – Evidence from Ministers

At today's meeting of the sub-group a decision was taken to seek PfG approval to allow an evidence session to be arranged with Maria Eagle MP on her return from leave in September. The sub-group agreed that it was important to ensure that the views of the Minister are included in its report.

If PfG is content with this proposal arrangements will be made to invite the Minister to attend an evidence session in early September. I have begun to sound out DETI private office and senior officials on possible dates and understand that the Minister returns on 4 September and has diary commitments on the 5th and 7th. I have asked officials to reflect upon the Secretary of States commitment to make ministers available and may be able to secure a slot on 5 September. If PfG is content I will attempt to schedule the Minister and the Youth Forum for 5 September and submit a single addendum to the report.

I should be grateful for the views of PfG on this suggestion and for any advice it would wish to offer.

Alan Patterson
Ext 21785

From Martin Wilson
Principal Clerk
Preparation for Government Committee

Date 16 August 2006

To Alan Patterson
Principal Clerk
Sub-group on Economic Challenges facing Northern Ireland

Evidence from Ministers

Further to your minute of 15 August, the Preparation For Government Committee discussed the matter raised by the sub-group at its meeting on 16 August.

The Committee concluded that the sub-group should take evidence from the Minister after the 25 August report deadline (i.e. on 5 September) and incorporate that evidence as an addendum to its report.

Martin Wilson
Ext 21280

Appendix 1

Part 3

Directions from the Secretary of State



Northern
Ireland
Office

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11 Millbank
London SW1P 4BN
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www.nio.gov.uk

Secretary of State for Northern Ireland

cc: Mr. Hoar
Mr. Reynolds
Ms. Donnelly
Mr. Gormel
Ms. McGivern
Mr. Pearce
Ms. Givern
file

Mrs Eileen Bell, MLA
Speaker of the Assembly
Parliament Buildings
Stormont
Belfast
BT4 3XX

26 May 2006

Dear Speaker,

ASSEMBLY STANDING ORDERS AND COMMITTEE

I wish to notify you that I have determined two directions under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006.

The first amends the Standing Orders that were notified to you on 10 May 2006.

The second directs that a Committee of the Assembly be established.

A copy of each direction is enclosed.

Further to this, under section 1(1) of the 2006 Act, I wish to refer the following matters to this Committee. Namely:

to scope the work which, in the view of the parties, needs to be done in preparation for Government.

26. MAY. 2006 16:48

SUP'S PRIVATE OFFICE

NO. 508 P. 3

I am copying this letter to the leaders of all parties represented at the Assembly and to the two independent members.

PP  (PRIVATE SECRETARY)

RT HON PETER HAIN MP
SECRETARY OF STATE FOR NORTHERN IRELAND
[Approved and signed in his absence]

26. MAY. 2006 16:48

SOTS PRIVATE OFFICE

NO. 508 P. 4

NORTHERN IRELAND ACT 2006

DIRECTION DETERMINED BY THE SECRETARY OF STATE AND
NOTIFIED TO THE PRESIDING OFFICER UNDER PARAGRAPH 4(1) OF
SCHEDULE 1 TO THE NORTHERN IRELAND ACT 2006

1. The Standing Orders notified to the Presiding Officer on 10 May 2006¹ shall be amended in accordance with paragraphs 2 and 3.
2. After Standing Order 11B there shall be inserted the following:
“ 11C. Committees of the Assembly
(a) Where
(i) the Assembly decides by cross-community support; or
(ii) the Secretary of State directs,
that a Committee be established, the Business Committee shall make arrangements to establish that Committee in accordance with any such decision or direction.
(b) Any decision of the Assembly to establish a Committee shall provide for the Committee's terms of reference and membership.
(c) The procedures of any Committee so established shall be such as the Committee itself shall determine, unless otherwise provided for by a decision of the Assembly or direction of the Secretary of State.
(d) In these Standing Orders, references to “Committee” shall include any working group.”.
3. Standing Order 12(b) shall be replaced with the following:
“(b) The following, namely:

¹ As amended by direction of the Secretary of State dated 22nd May 2006.


26. MAY. 2006 16:48

SOF'S PRIVATE OFFICE

NO. 508 P. 5

- (i) A vote on a matter in respect of which a petition of concern has been presented;
 - (ii) A vote on a decision to establish a Committee of the Assembly; or
 - (iii) A vote on any other matter as directed by the Secretary of State
- shall require cross-community support."

Signed

for  (PRIVATE SECRETARY)

SECRETARY OF STATE FOR NORTHERN IRELAND

[Approved and signed in his absence]

DATE: 26 May 2006

26. MAY. 2006 16:48

SOFS PRIVATE OFFICE

NO. 508 P. 6

NORTHERN IRELAND ACT 2006

DIRECTION DETERMINED BY THE SECRETARY OF STATE AND
NOTIFIED TO THE PRESIDING OFFICER UNDER PARAGRAPH 4(1) OF
SCHEDULE 1 TO THE NORTHERN IRELAND ACT 2006

1. I hereby direct that a Committee of the Assembly be established on necessary business relating to the preparation for Government. This Committee shall operate in accordance with the following paragraphs.
2. The Committee shall deal with such matters as I may refer and such other matters that the Committee itself agrees.
3. The membership of the Committee shall be up to three representatives from each party with more than 15 seats held in the Assembly and up to two representatives from any other party with two or more seats.
4. It shall be for the Committee to determine its own procedures, including arrangements for chairmanship.
5. Decisions of the Committee shall be by consensus.
6. The Committee may establish sub-committees to look at specific issues.
7. The Committee may refer matters to the Business Committee for debate in the Assembly.
8. The first meeting of the Committee shall take place on Tuesday 6 June.

Signed

PP 

(PRIVATE SECRETARY)

SECRETARY OF STATE FOR NORTHERN IRELAND

[Approved and signed in his absence]

DATE: 26 May 2006

2 JUN. 2006 15:17

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ASSEMBLY BUSINESS

Under Paragraph 2 of Schedule 1 to the Northern Ireland Act 2006, I hereby direct that the Assembly shall meet at the date and time set out below.

Tuesday 6 June 2006 Assembly to sit at 2.00pm

In addition, further to my direction of 28 May under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006, I hereby direct that the date of the first meeting of the Committee of the Assembly on necessary business relating to the preparation for Government ("the Preparation for Government Committee") be brought forward. The first meeting of this Committee shall now take place on Monday 5 June at 11.00am. The Committee may refer matters to the Business Committee for its consideration or for debate in the Assembly.

I would hope that this Committee will be in a position to refer issues to the Business Committee for scheduling for debate when the Assembly meets on Tuesday. I will therefore defer a decision on what referral I may make for 6 June until I have received any recommendations for future Assembly business that the Business Committee might make following the inaugural meeting of the Preparation for Government Committee on Monday.

RT HON PETER HAIN MP

SECRETARY OF STATE FOR NORTHERN IRELAND

5. JUN. 2006 18:09

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NO. 541 P. 2



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By fax: 028 9052 1959

5 June 2006

Dear Speaker

ASSEMBLY BUSINESS: PREPARATION FOR GOVERNMENT COMMITTEE

Further to my earlier direction, under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006, I hereby direct that the second meeting of the Committee of the Assembly on necessary business relating to the preparation for Government ("the Preparation for Government Committee") be held on Tuesday 6 June at a time to be determined by the Clerk Assistant.

Fiona McCoy
Private Secretary

PR

RT HON PETER HAIN MP
SECRETARY OF STATE FOR NORTHERN IRELAND

(Approved by the Secretary of State and signed in his absence)

cc Mr Hain
Mr Reynolds
Mr Good
Ms Donnelly
Mrs Pritchard.
file

32/06 2006 13:45 FAX

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Secretary of State for Northern Ireland

cc Mr Blair
Mr Reynolds
Mr Good
Mrs Dunwoody
~~Mrs Henderson~~
File.

Mrs Eileen Bell MLA
Speaker of the Assembly
Parliament Buildings
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Dear Speaker,

PREPARATION FOR GOVERNMENT COMMITTEE

I was grateful for sight of your letter to the Committee on the subject of arrangements for chairing the Committee.

I want to offer my support for your explanation of the importance of protecting the impartiality of your position. I have privately expressed my appreciation for the manner in which you have discharged the responsibilities of that office since your appointment. I can assure you that your discharge of those responsibilities continues to enjoy my support.

However, I am keen that the Committee should make some progress. Whilst I share your views on the impartiality from party politics of the Speaker, as we agreed when we spoke last week, I believe that the trust which Assembly Members have shown in your Office and its incumbents offers a way forward for the Committee and that an arrangement whereby Mr Jim Wells and Mr Francie Molloy, whom I appointed on 11 May to the Office of the Speaker to act as deputy presiding officers, be responsible in rotation for chairing that committee, offers the best prospect for the Committee to make the progress that is required. Mr Wells and Mr Molloy, in chairing the

/TW



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Preparation for Government Committee, will bring the same impartiality to the committee proceedings as they would when deputising for you in plenary.

Therefore, under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006 ("the 2006 Act"), I direct that the meetings of the Preparation for Government Committee, established under my direction of 26 May 2006, shall be chaired by the deputy presiding officers appointed by me under Paragraph 3(1) of Schedule 1 to the 2006 Act.

I further direct that the Committee shall meet on Monday 12 June at 4pm under the chairmanship of Mr Wells and on Tuesday 13 June under the chairmanship of Mr Molloy at a time to be determined by the Clerk Assistant. From 13 June onward, the Committee shall agree the date and timing of further meetings. If at any meeting the relevant deputy presiding officer is unable to act, or chooses not to, that meeting shall be chaired by the other.

JP 

[Private Secretary]

THE RT HON PETER HAIN MP
Secretary of State for Northern Ireland
[Approved by the Secretary of State and signed in his absence]

/TW



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Secretary of State for Northern Ireland

Mrs Eileen Bell MLA
Speaker of the Assembly
Parliament Buildings
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3 July 2006

Dear Speaker,

Thank you for your letters of 21 June and 27 June 2006 recording the views of the Business Committee on issues for plenary debate by the Assembly, the date of summer recess and arrangements for setting up a working group on economic issues.

I have reflected on these views, on the progress that has been made in the Preparation for Government Committee and on the discussions between the Prime Minister, the Taoiseach and the parties last Thursday. The statement that was issued by the Prime Minister and the Taoiseach following these discussions, and the associated work plan, set out both Governments' objectives for the coming weeks for achieving the goal of a restored Executive by 24 November. The work plan rightly envisages a key role for the Assembly as well as for individual parties. My decisions, set out in this letter, about Assembly business reflect this key role and responsibility and the timeframe in the work plan.

I have determined that:

- There should be a plenary debate of the Assembly at 10:30 on Friday 7 July.
- The Assembly should rise at close of business on Friday 7 July and should return on Monday 4 September.

/TW



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This should be taken as a direction under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006. I will notify you on Wednesday of the subject for debate on 7 July, after the PFG and Business Committee have met, by a referral under Section 1(1) of that Act.

As envisaged in the work plan published by the two Governments yesterday, I am also directing, under Paragraph 4 (1) of Schedule 1 to the 2006 Act, that the Preparation for Government Committee continues its work during the summer recess at times to be agreed by that Committee. I regard the work of that Committee as of particular importance in addressing the issues highlighted in the work plan. I understand from discussions with the parties that similar issues have also been identified in the context of the PFG debates.

The remit of this Assembly, as set out in the 2006 Act, is to take part in the preparations for the restoration of devolved government in Northern Ireland. It seems right, therefore, that the PFG in taking forward their work both share their thinking with and take the views of Assembly members.

I would, therefore, be grateful if the PFG, with the help of the Chairs in facilitating and leading discussion, could take account of the issues and timeframe set out in the work plan published by the two Governments in developing its work and propose to the Business Committee issues for plenary debate in the Assembly. I am referring these matters to the PFG under section 1(1) of the 2006 Act.

My current intention is that there should be a plenary debate of the Assembly on 4 September and a further debate on Tuesday 5 September. I would be grateful if the Business Committee could advise me by Wednesday 30 August on appropriate

/TW



DIRECTOR OF PEOPLE



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topics which emerge from the Preparation for Government Committee for those debates and on the sequencing of issues for debate.

I have noted that parties have different views on the best way to give effect to the agreement in the Assembly debate on 15 May to a working group on recommendations to a restored Executive on the economic challenges facing Northern Ireland. Given that the aim of such discussion is to make preparation for the work of a restored Executive, I am referring the matter of discussion of economic issues to the PFG under section 1(1) of the 2006 Act and directing them, under Paragraph 4 (1) of Schedule 1 to that Act, to set up a sub-group and report back to the Assembly in September.

I am also directing, under Paragraph 4(1) of Schedule 1, that the PFG set up sub-groups on two issues identified in the two Governments' published work plan – 'changes to the institutions' and 'devolution of criminal and justice and policing'. These two sub-groups should also report back through the PFG to the Assembly. Should the PFG wish to establish sub groups additional to these two – for example on rural planning – I would welcome this.

I direct that the membership of sub groups should comprise one PFG member from each party plus five other members (one from each of the five parties on PFG) with a particular interest or expertise in the issue being considered. The sub-groups should be chaired alternately by the two independent chairs of the PFG. If the PFG decides that further independent chairs are needed for such sub-groups, I will invite the UUP, SDLP and Alliance parties to nominate suitable candidates to me. These names, along with the two deputy Speakers, can then comprise a list of independent chairs from which the PFG can choose when setting up sub-groups. In selecting suitable candidates it is important that they, like the two deputy speakers, have the skills and





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experience both to secure the confidence of all parties in their ability to act independently and to facilitate and lead discussion. After discussing progress in the PFG with the deputy Speakers I wish to clarify that their role should be not merely to preside but to promote consensus in all meetings of the PFG and its sub groups.

I should perhaps say again on the issue of consensus that whilst I continue to believe that it is right that the parties reach agreement on recommendations that are put to me for Assembly debate, I do not think it is right that any party should use the basis of consensus as an opportunity to exercise a veto unreasonably or as an opportunity to prevent the effective operation of or progress in the Business Committee or the PFG. Rather, I hope that members of these committees will seek to achieve agreement in discussion.

I very much welcome the three plenary debates that have taken place in the Assembly. I look forward to the further work, as set out above, resulting from the first debate on economic issues.

You will be aware that the consultation on PPS14 relating to rural planning has now ended and responses are being analysed. I have asked my officials to ensure that the points raised in the Assembly's debate are included in that analysis. As I have said previously, I will take account of the views of Assembly where there is cross community support and, of course, a restored Assembly will have the power to take forward policy in this area – as in others – as it sees fit.

The debate on industrial rating was a valuable one. Members were obviously well-informed in relation to this issue, reiterating the arguments for changing the policy that those from the manufacturing sector have expressed to me. I remain concerned, however, that any changes to the policy as it stands would require

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significant spending cuts to front line services. We estimate that the loss of rates revenue, should industrial rating be capped at 25%, in the period to 2011 would be £106m. The policy provides a commitment to a review after two years. I very much hope that a restored Assembly will be in place to conduct that review and to take whatever decisions it considers appropriate in light of it.

I should like to take this opportunity to thank you, your colleagues on the Business Committee and the PFG and the Assembly Clerks for their work for the Assembly over the last seven weeks. This has been a challenging period for all concerned and I am grateful for the commitment that there has clearly been to making the current Assembly work as effectively as the circumstance allow. We all shared frustration in the early weeks that time was expended on procedural issues at the expense of substantive debate. I know that there has also been frustration about the difficulties of agreeing business for plenary sessions. But I believe that there has been valuable progress and I hope that the parties will use the summer constructively to ensure that the Assembly can actively prepare for Government when it reconvenes in September, through plenary debates both on issues that are proposed to the Business Committee by the PFG and other motions that individual parties or MLAs may table.

Yours sincerely,
Fiona McGon
Private Secretary.

PP

THE RT HON PETER HAIN MP
Secretary of State for Northern Ireland
(Approved by the Secretary of State and signed in his absence)



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11 July 2006

We met this morning to discuss my letter to the Speaker of 3 July in which I directed the setting up of three subgroups of the Preparation for Government Committee (PFG). You had a number of queries that I was happy to clarify at the meeting and also by way of this letter and the attached direction and referral.

The particular points on which you sort clarification on behalf of the PFG were:

- Am I making a direction to set up the subgroups under Paragraph 4(1) of Schedule 1 to the Northern Ireland Act 2006 and a referral as to the issues for discussion in these subgroups under section 1(1) of that Act?

I confirm that I am making a direction and a referral to set up the three specified subgroups.

- Do I intend the subgroups to operate by consensus or by majority vote?

I am content for them to operate by simple majority of those voting

- Am I content for the subgroups to meet if one or more parties do not attend?





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The attached direction directs that the membership of the subgroups should be two representatives from each of the parties represented on the PFG. If, however, for any reason a party is not able to be represented at a subgroup meeting, or chooses not to do so, I am content for the subgroup nevertheless to meet, I am also content for substitutes.

- Do I envisage discussions of the subgroup on devolution of justice and policing to include the issues of criminality and decommissioning raised at the PFG meetings?
- It is for each subgroup to determine what subjects are relevant to their discussions of the issue that I am referring to them. I am content for the subgroup on devolution of justice and policing to consider issues of criminality and decommissioning if they agree to do so. It is of course also open to the PFG, under the direction I issued on 26 May 2006 establishing the PFG, to establish any other sub committees to look at specific issues.

I hope that this letter and the attached direction and referral are helpful and that the PFG will act on this direction and referral when it next meets. I understand a meeting is scheduled for Monday 17 June.

Thank you again for your work for the Assembly and the PFG. Please do not hesitate to get in touch if you require any further clarification or wish to discuss any matter.

I am copying this letter to the Speaker.


THE RT HON PETER HAIN MP
Secretary of State for Northern Ireland



GOVERNMENT OF NORTHERN IRELAND



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NORTHERN IRELAND ACT 2006

**DIRECTION DETERMINED BY THE SECRETARY OF STATE AND
NOTIFIED UNDER PARAGRAPH 4(1) OF SCHEDULE 1 TO THE
NORTHERN IRELAND ACT 2006 AND A REFERRAL UNDER SECTION
1(1) OF THAT ACT**

1. Further to my direction of 26 May 2006 establishing the Preparation for Government Committee, I hereby direct that the Preparation for Government Committee shall establish three subgroups. I refer the following matters to each of those subgroups respectively.

- Devolution of justice and policing
- Changes to the institutions
- The economic challenges facing Northern Ireland

The subgroups should operate in accordance with the following paragraphs.

2. Each subgroup shall deal with such matters as each subgroup agrees are relevant to the matter referred above and shall deal with such other matters as I may refer in the future.
3. The membership of each subgroup shall be two representatives from each of the parties represented on the Preparation for Government Committee (PFG). One of each of the two party representatives shall be a member of the PFG.
4. Each subgroup shall be chaired by either of the two independent Chairs of the Preparation for Government Committee. If the Preparation for Government Committee decides that further independent chairs are needed for such subgroups I will invite the UUP, SDLP and the Alliance parties to nominate suitable candidates to me in accordance with my letter to the Speaker dated 3 July 2006.
5. A subgroup may meet whether or not all party representatives are present.



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6. Each party present shall have a single vote. Decisions of a subgroup shall be by simple majority of those voting.
7. It shall be for the Preparation for Government Committee to determine any other necessary procedures.
8. Each subgroup shall report to the Preparation for Government Committee in accordance with the terms of reference set by the Preparation for Government Committee.

A handwritten signature in black ink, appearing to be 'D. M. L.', written over a horizontal line.

SECRETARY OF STATE FOR NORTHERN IRELAND

DATE: 11-7-06

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